Bill Clinton
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Helmut Schmidt
Limiting the damage
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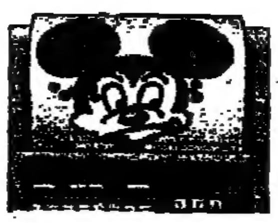

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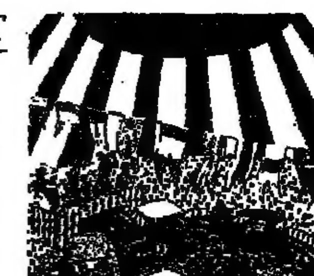


FINANCIAL TIMES

Europe's Business Newspaper

FRIDAY OCTOBER 9 1992

D8523A

US rate cut unlikely before poll, Fed says

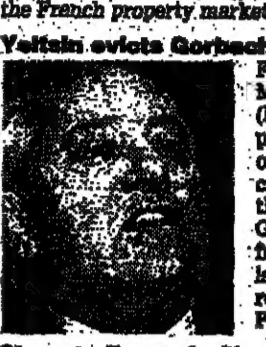
The US Federal Reserve is unlikely to cut interest rates before the presidential election on November 3 because it regards as inconclusive recent signs of economic slowdown.

Recent figures confirm that economic growth is not accelerating, as forecast, but they do not point conclusively to a fresh slowdown, a senior Fed official said. Page 16

Bosnia deaths warning: The commander of UN forces in Bosnia, General Philippe Morillon, warned of a race against time to prevent the deaths of up to 400,000 people this winter, as Bosnian officials said there had been 15,284 deaths in the war in the former Yugoslav republic. Page 16

Banque Nationale de Paris, the large French bank, announced a 13.4 per cent fall in first half profits to FFr1.38bn ($271m). BNP blamed the economic slowdown and the need to raise provisions, mainly because of the depressed state of the French property market. Page 17

Yeltsin evicts Gorbachev Foundation



Former Soviet president Mikhail Gorbachev (left) accused Russian president Boris Yeltsin of "authoritarian tendencies" after he ordered the eviction of the Gorbachev Foundation from its Moscow premises. Page 18, Missiles row sours CIS summit, Page 3

Ciments Français: The off-balance-sheet losses suffered by Ciments Français of France, the French cement maker being taken over by Italy's Italcementi group, are thought to have stemmed from agreements to repurchase shares in the company's foreign subsidiaries. Page 17

Bundesbank urges EC reform: The European Community should revamp its decision-making processes if it is to assume its proper role in world affairs, Hans Tietmeyer, vice-president of the Bundesbank, said. It must also make corrections to the Maastricht formula to ensure that political union advances in step with moves to economic and monetary union. Page 2; Bundesbank keeps analysts on their toes, Page 20; Anglo-German rift, Page 15

Hongkong Land, one of the colony's leading property investment and development companies, is expected to fall far short of the 29.9 per cent stake it hoped to acquire in Trafalgar House, the property, construction and engineering group, when it announces the result of its tender offer later today. Page 17

New European TV services planned: Rupert Murdoch, chairman of News Corporation, the media group, and André Rousselet, chairman of Canal Plus, the French pay television service, are setting up a partnership to develop new television services across Europe. Page 17

Farmers' day of action: French farmers plan to hold a day of action next Wednesday to try to thwart any EC concessions on farm trade in the negotiations under the General Agreement on Tariffs and Trade. The action aims to coincide with the run-up to the EC's Birmingham summit on October 16, which would have to endorse any deal reached with the US in Brussels this weekend. Page 4

Profits rise at Dow Jones: Improved advertising and circulation at The Wall Street Journal have helped Dow Jones, the newspaper's owner, to achieve a 31.7 per cent rise in third-quarter net profits to $21.09m. Page 19

Indian brewer plans UK assault: Vijay Mallya, one of India's largest distillers and brewers, plans an assault on the UK drinks distribution market via a takeover of Wiltshire Brewery, the UK quoted drinks company. Page 18

Hungary, anxious to make privatisation more popular with investors and voters and speed up the transfer of industry to the private sector, is moving towards a mass distribution of companies lingering in state control. Page 8

UK pit closures to be announced: British Coal will announce a programme of pit closures and job cuts as early as next week to clear the way for privatisation of the state-owned company. Page 9

Nobel Literature Prize: The West Indian poet and dramatist Derek Walcott has been awarded the 1992 Nobel Literature Prize. Page 13

■ STOCK MARKET INDICES		
FT-SE 100:	2,538.8	(+21.7)
Yield	4.74	
FT-SE Eurotrack 100	995.33	(+15.28)
FT-A All-Share	1,198.54	(+0.7%)
Nikkei	17,236.61	(+223.77)
New York lunchtime		
Dow Jones Ind Ave	3,158.36	(-1.89)
S&P Composite	404.54	(+0.59)
■ US LUNCHTIME RATES		
Federal Funds:	3%	
3-mo Treas Bills: Yld	2.699%	
Long Bond	97 7/16	
Yield	7.46%	
■ LONDON MONEY		
3-mo Interbank	8 7/8 %	(9%)
Liffe long gilt future	Dec 98 7/32	(Dec 95 3/4)
■ NORTH SEA OIL (Argus)		
Brent 15-day (Nov)	$20.675	(20.45)
■ Gold		
New York Comex (Oct)	$349.9	(351.0)
London	$350.65	(350.75)

■ STERLING		
New York lunchtime:		
$	1.6865	
London:		
$	1.68	(1.717)
DM	2.49	(2.4725)
FFr	8.445	(8.395)
SFr	2.2	(2.1675)
Y	204.5	(206)
£ Index	82.9	(Same)
■ DOLLAR		
New York lunchtime:		
DM	1.4757	
FFr	5.0065	
SFr	1.30013	
Y	121.125	
London:		
DM	1.478	(1.44)
FFr	4.9975	(4.89)
SFr	1.302	(1.283)
Y	120.95	(120)
$ Index	61.6	(60.8)
Tokyo close Y 120.8		

Austria	Sch30	Greece	Dr250	Lux	LFr60	Qatar	QR12.00
Bahrain	Din1.250	Hungary	Ft192	Malta	Lm0.60	S.Arabia	SR11
Belgium	BFr60	Iceland	IKr180	Morocco	MDh13	Singapore	S$4.10
Bulgaria	Lv25	India	Rs20	Neth	Fl 3.50	Spain	Pta200
Cyprus	C£1.00	Indonesia	Rp3600	Nigeria	Naira20	Sweden	SKr14
Czech	Kcs35	Israel	Shk5.50	Norway	NKr15.00	Switz	SFr3.00
Denmark	DKr14	Italy	L2500	Oman	OR1.50	Syria	SyP50.00
Egypt	E£4.50	Jordan	JD1.50	Pakistan	Rs35	Thailand	Bht60
Finland	FM12	Korea	Won 2500	Philippines	Peso45	Tunisia	Din1.250
France	FFr8.50	Kuwait	Fils.500	Poland	Zl 22,000	Turkey	L6000
Germany	DM3.30	Lebanon	US$1.25	Portugal	Esc190	UAE	Dh10.00

Sterling, dollar and lira rise against D-Mark as market tensions ease

Currencies rally on rate hopes

By James Blitz in London and Christopher Parkes in Frankfurt

STERLING, the dollar and the lira gained ground against the D-Mark yesterday as expectations grew that the Bundesbank may cut interest rates later this month.

Amid signs that the currency tensions across the world may be easing, the Bank of Italy cut its official borrowing rate to take advantage of the reduced pressure on the lira in recent days.

Italy's cut in its Lombard rate by 0.5 percentage points to 16 per cent followed an easing in money market dealing rates over the past three days in Belgium, the Netherlands and Denmark.

Yesterday's reduced strains on European currencies and the dollar followed indications last week that the Bundesbank may be preparing the ground for a cut in its credit rates soon because of the increasingly gloomy outlook for the German economy.

However, a member of the Bundesbank council attempted to reduce speculation about an imminent cut in German rates. Mr Johann Gaddum said recent interest rate adjustments had led some people to conclude that the bank had undertaken a fundamental change of course.

"It is imperative to warn against these false expectations. The medium-term aims of our policy remain unchanged," he told a conference in Luxembourg.

On foreign exchanges, the pound gained nearly two pfennigs to close in London at DM2.49. The rise came in spite of a cool response from financial markets to the speech by Mr Norman Lamont, the chancellor, at the Conservative party conference, on the grounds that he specified few changes in economic policy.

Hopes of an early cut in UK base rates, now 9 per cent, gave a spurt to share prices on the London stock market, where the FT-SE 100 Index gained 21.7 to 2,538.8.

The dollar rallied against the D-Mark, partly because of speculation that US interest rates are unlikely to come down before the US presidential election next month. The dollar closed in London at DM1.473, more than 3 pfennigs higher on the day.

The lira closed at L888.0 against the D-Mark, L22.9 higher on the day, and L92 higher than its low point on Tuesday, giving the Bank of Italy the opportunity to cut rates to inject extra demand into the Italian economy.

The market's belief that German rates may soon come down is partly based on the Bundesbank's recent operations in the German money market.

Late last week, the Bundesbank reduced the rate at which it deals in the German money market to 8.9 per cent, a level 0.6 percentage points below its key emergency Lombard rate. Economists believe that the reduction in market dealing rates makes it technically easier for the German central bank to cut the Lombard rate without adversely affecting the value of the D-Mark.

At the same time, the Bundesbank has fuelled expectations of a further cut in rates by softening the emphasis it places on one of its key indicators in the growth of money supply.

Recent policy statements by Bundesbank council members suggest that the bank is drawing back from its insistence that the M3 measure of money supply – which includes cash in circula

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UK opts to target long-term inflation

By Philip Stephens and Peter Norman

MR NORMAN LAMONT, the UK chancellor, yesterday sought to plug the gap in his economic policy left by sterling's departure from the exchange rate mechanism by setting a formal target of between 1 and 4 per cent for Britain's inflation rate.

In a speech which won him a respectful but less than ecstatic reception from the Conservative party conference and London's financial markets, the chancellor ruled out the sharp cuts in interest rates demanded by many Tories. The instant judgment of his ministerial colleagues was that Mr Lamont's long-term future at the Treasury remained uncertain.

His speech will be followed this morning by a determined attempt by Mr John Major to reassert his authority over the party and to close the deep rifts over Europe which have emerged at this week's conference. After a day in which party activists tempered their affection for Lady Thatcher with a rebuke for her vehement attacks on her successor's European policy, Mr Major will underline his determination to ratify the Maastricht treaty.

Glyn Genin

Tory leaders, past and present, applaud UK chancellor Norman Lamont (second from right) after his party conference speech

In a statement for MPs accompanying his speech, Mr Lamont said the centrepiece of his economic strategy outside the ERM would be a long-term inflation objective of 2 per cent per year. That would mean an immediate target range of 1 to 4 per cent for underlying price rises. By the end of the current parliament in 1997, he expected inflation to be in the lower end of that range.

Until now, the government has eschewed a formal target for prices, setting out instead the goal of stable prices or consistently low inflation. But without the anchor of the D-Mark, Mr Lamont was concerned to re-establish the government's credibility with financial markets.

In August the underlying annual rate – retail prices excluding mortgage interest payments – was 4.2 per cent but it may drop into Mr Lamont's new range when September's figures are published today.

The chancellor, foreshadowing the sharp cash reductions in many Whitehall budgets under discussion in this year's

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New UK stock market indices launched

By Peter Martin, Financial Editor, in London

NEW UK stock market indices have been launched by the Financial Times, the London Stock Exchange and the Institute and the Faculty of Actuaries.

The indices will cast more light on the performance of the stock market, particularly of second-rank UK companies.

They will also allow investors to monitor the performance of individual industry sectors minute-by-minute during the day.

The indices complement the FT-SE 100 index and the FT-Actuaries All-Share index, which are expected to remain the UK market's principal real-time index and the main end-of-day performance benchmark, respectively.

The new indices, publicly available from Monday, are:

- The FT-SE Mid 250, covering the 250 companies that rank below the FT-SE 100 in size. This is a real-time index, containing companies with market capitalisations of roughly £150m to £1bn.

These are typically substantial national companies, rather than the UK-based international companies in the FT-SE 100.

- The FT-SE Actuaries 350, the top 350 UK shares (the FT-SE 100 plus the FT-SE Mid 250). Industry baskets based on these 350 stocks will be calculated minute-by-minute throughout the day. The sector classification is that used in the FT-Actuaries All-Share index.

From January, the FT-Actuaries All-Share index will be extended by about 200 shares, to cover a higher proportion of the total stock market. At that point a third new index will be added, the FT-SE Small Cap, covering all those All-Share members that rank below the FT-SE Mid 250 in size. The 30-share FT Ordinary index is unaffected by the changes.

Mr Richard Lambert, editor of the FT, said: "We are particularly grateful to those market participants who gave a great deal of time and effort to the task of providing the UK market with a uniquely comprehensive and consistent set of indices."

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Beijing says Hong Kong plan violates agreements

By Simon Holberton in Hong Kong

MR CHRIS PATTEN, Hong Kong's governor, was on a collision course with China last night after Beijing's foreign ministry said his proposals for Hong Kong's political development were deeply disturbing and would present obstacles to the smooth transfer of government in 1997.

Wu Jianmin, the foreign ministry spokesman, said Mr Patten's plans for the colony's 1995 elections were in breach of the 1984 Anglo-Chinese Joint Declaration and the 1990 Basic Law, the Beijing-drafted constitution for Hong Kong after it reverts to Chinese sovereignty in 1997.

"They will surely present obstacles to Hong Kong's smooth transition and transfer of government. The Chinese side is deeply disturbed about this," he said.

On Wednesday, in an address to the local legislature, the governor proposed enlarging the franchise of the colony's voters in the 1995 elections. He drew short of advocating more than the 20 directly elected seats envisaged for the 60-member council in 1995, but sketched plans for making the election of the remaining 40 seats more democratic and open.

Wu said China wished to point out that Beijing would not be held responsible for the consequences if the evolution of Hong Kong's political system did not accord with China's laws. He was also critical of Mr Patten publicising his plans before consulting China.

At a public meeting last night Mr Patten, in the knowledge of Beijing's statement, denied that his plans violated bilateral Anglo-Chinese agreements.

"The proposals I made are entirely consistent with the Basic Law and the Joint Declaration in every particular," he said to the applause from an audience of Hong Kong citizens.

Earlier in the day, Mr Patten said his proposals for democratic reform must be decided by early next year. He said he hoped discussions with China would not be drawn out.

During his first "question time" before local legislators, Mr Patten spelt out what his government would do if agreement with China could not be reached about the financing of the colony's multi-billion dollar airport project.

He said the government would have to look at some "fairly radical options". One would be to complete works that could be financed internally by the government and leave other matters to be completed by the post-1997 government, he said.

This would mean shelving the construction of the airport and its connecting railway – the two most important parts of the HK$163.7bn ($21.2bn) project. A tender for a HK$9bn contract for the construction of the airport site expires at the end of November and will have to be renegotiated if China does not agree the financing.

Mr Patten also raised the possibility that the government will reconsider the agreement Britain and China reached last year on the structure of the Court of Final Appeal – the highest court in the colony after it reverts to China.

He told legislators that his new Executive Council would have to decide collectively whether the court was worth going ahead with, or whether, in light of planned developments in the legal system, the government should press ahead and have it operating before 1997.

The legislature voted down the Anglo-Chinese agreement in December. This agreement provided for only one of the court's five judges to come from a foreign common law jurisdiction. The local legal profession had wanted three places reserved for visiting judges.

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LONDON · PARIS · FRANKFURT · NEW YORK · TOKYO

Bundesbank says EC powers need reform

By Christopher Parkes in Frankfurt

THE European Community should revamp its decision-making processes if it is to assume its proper role in world affairs, according to Mr Hans Tietmeyer, vice-president of the Bundesbank.

It must also make corrections to the Maastricht formula to ensure that political union advances in step with moves towards economic and monetary union, he told a meeting in Berlin yesterday.

Without changes in decision-making, including the clarification and implementation of subsidiarity, "political, economic and monetary union could prove unacceptable to the people of the community", Mr Tietmeyer claimed.

The principle of subsidiarity should be established and implemented according to the German definition: "Give power to the upper political level only when the tasks in question cannot be achieved at the lower level of authority."

"It is time subsidiarity was taken seriously and preparations made to put it into effect," he added. Without it, political, economic and monetary union could prove unworkable, as had been demonstrated in other unions based on an undue concentration of power.

Calling for "new and more appropriate" decision-making structures, Mr Tietmeyer said there should be no "super-bureaucracy, but an organisation with clearly-defined competences and decision-making powers". He repeated a Bundesbank statement made two years ago which insisted that if monetary union were to prove durable, it needed to be underpinned by a more far-reaching association in the form of full political union.

"Here, as the debate has shown, seems to lie a main deficiency of the Maastricht concept that needs to be corrected in 1996, when the section on political union will in any case be reviewed," he said.

■ Mr Martin Bangemann, the vice-president of the European Commission, denied yesterday that he was referring to Denmark when he called recently for member states which refuse further integration to consider whether they ought to leave the Community, Reuter reports from Helsinki.

Mr Bangemann made his statement last Saturday at a congress of Germany's Free Democratic party.

Danish politicians have reacted angrily to Mr Bangemann's statement, with the prime minister, Mr Poul Schlüter, advising the commissioner to do his job and leave decision-making to EC governments. Mr Bangemann, on a visit to Finland, told a news conference in Helsinki: "I do want Denmark to be a member of the Community."

Bundesbank policy, see Capital Markets Page

Foreign Minister Klaus Kinkel with Chancellor Kohl during the Maastricht debate in the Bonn parliament yesterday

German parliament to have Emu veto

By Quentin Peel in Bonn

THE German government has accepted that the two houses of parliament in Bonn will in effect have the final say over the introduction of a single European currency, Mr Theo Waigel, the finance minister, said yesterday.

Before Germany enters the final stage of Emu in 1997 or 1999, parliament will decide on whether the strict preconditions for full European economic and monetary union (Emu) have been fulfilled, he said. The agreement by the government to have such a debate has appeared inevitable since the summer, when the opposition Social Democrats made such a move a precondition for ratification of the Maastricht treaty.

Mr Waigel, speaking in the first reading debate on ratification of the treaty, insisted such a vote did not mean a second chance to ratify or reject it, and did not amount to an "opting out" clause like the special deal for Britain. He conceded, however, that the final stage of Emu, in 1997 or 1999, would not be automatic.

"An investigation of whether the treaty has been fulfilled is the decisive, final step before the beginning of economic and monetary union," he said. "Germany will not take part in any currency union in which not every member state has observed the treaty requirements... The German government needs a vote by the Bundestag before taking such a decision."

Mr Waigel was clearly at great pains to reassure a sceptical public about the future security and stability of a single European currency, even though a clear majority of the Bundestag is in favour of ratification of the Maastricht treaty.

Deutsche Aerospace blames defence review for job cuts

By Quentin Peel in Bonn

DEUTSCHE Aerospace (Dasa), Germany's principal civil and defence aviation contractor, yesterday blamed uncertainty over defence spending and the downturn in the civil aviation market for its decision to cut 7,500 jobs by the end of 1994.

"The main reason is that the role of the Bundeswehr, the German armed forces, is completely unclear," a spokesman said yesterday. "We don't know what role it will have in the future. In the meantime, we do not expect there to be any significant large defence contracts in the next two years, which could help us through this period." The company, which is part of Daimler-Benz, was at pains not to blame the German defence ministry for its extended reassessment of the role and requirements of the armed forces, while saying pointedly that "it all depends on our democratic process".

However, it is clear that the cuts, amounting to more than 10 per cent of the company's 70,000 workforce, may not be the final decision, because they do not make any allowance for a possible German pull-out from the European Fighter Aircraft (EFA) programme, or any replacement.

"The EFA is still included in our calculations," the spokesman said. "These redundancies or job cuts are not a consequence of that uncertainty. If Germany finally were to pull out of any programme, they would be much worse." A breakdown of the job cuts shows that 3,300 will come from the civil and military aircraft division of Dasa – two thirds from military aircraft, one third from the civilian side. Of those, 800 must be borne by Deutsche Airbus, where the works council yesterday expressed its surprise and hostility towards the company decision. Another 2,750 job losses will fall on the defence systems division, including weapons manufacture, missiles, radar and communications.

Some 1,000 losses must come from the propulsion division making engines, and 500 from the space systems division.

The company's space division could suffer further from a review next month by the European Space Agency at a meeting in Granada, Spain.

The gathering is expected to agree a Franco-German proposal to reduce the Hermes space shuttle programme to no more than a "technology programme", and to axe the "free flyer" which was to service the Columbus space station.

While Dasa said that the job cuts would be carried out wherever possible without harsh social consequences, there might have to be some dismissals, in addition to early retirement and non-replacement of departing workers.

Although the company was at pains to stress its confidence in defence contracting as a pillar of its future activities, the decision to cut so many jobs because of the uncertainty will call into question again the wisdom of Daimler-Benz creating such a giant subsidiary as Dasa, so heavily reliant on government contracts.

The profits of German chemical companies have plunged by more than 30 per cent so far this year, production has been cut and there are still no signs of improvement in the sector, according to Mr Wolfgang Hilger, president of the VCI industry association, writes Christopher Parkes.

He said the industry's volume output had risen 1 per cent in the first three quarters. However, demand had fallen markedly in the third quarter, leading to production cuts.

Mr Hilger is head of Hoechst, which recently reported a 20 per cent decline in profits in the first six months of this year. Producer prices had fallen by an average of 2 per cent and the industry's total sales in the first nine months had fallen to DM125bn ($88.6bn), slightly below last year's figure.

Speaking to VCI members, Mr Hilger said that business prospects among the most important users of chemicals gave little grounds for optimism.

The appreciation of the D-Mark had further increased the industry's difficulties, and association members would have to come to terms with the fact that sales this year would not reach 1991 levels.

Italy puts curbs on journalists

ITALY's chamber of deputies yesterday reviewed a bill which would make it a crime for journalists to report on trials before verdicts are given without prior court approval, Reuter reports from Rome.

If the bill becomes law, journalists could face up to two years in prison and $1,500 in fines if they publish information not cleared by the court.

Reporters could also serve up to three years if they publish the names of magistrates and police working on a case.

"We have to keep checks on journalists, make it clear to them the kind of information that should not be published, and set up a deterrent for those who break the rules," said Mr Giuseppe Gargani, president of the chamber's justice commission.

Critics say the law has been drafted to protect the politicians facing corruption trials.

"The truth is that... journalists are under fire, because they report in depth on the political scandals sweeping the country," said Mr Ferdinando Imposimato, a parliamentarian and former judge.

Bank of Italy lowers short-term rate

By Robert Graham in Rome and Haig Simonian in Milan

THE Bank of Italy yesterday announced it was lowering as of today its fixed short-term interest rate charged to banks by half a percentage point to 16 per cent.

The basic discount rate remained unchanged at 15 per cent. But the move to lower the fixed short-term rate is in line with the bank's desire to reduce the spread between short-term rates and the base rate, provoked by recent turbulence in the currency markets. It also followed two days in which the lira has recovered against the D-Mark amid signs in the market that the parity had overshot too far against the German currency.

On Monday the lira had moved close to 1,000 against the D-Mark; but by yesterday the lira was being quoted at 888.

The parity is close to a rate which the Italian monetary authorities had previously regarded as reasonably stable. This represents a devaluation of nearly 17 per cent against its level of September 14.

Over the past week dealings in the lira have been thin, about 20 per cent of the normal volume, mainly accounted for by importers and exporters obliged to operate with a floating rate, and this is believed to have caused the fluctuations rather than speculation.

The rate cut came too late to affect the stock market, which had earlier been boosted by a vote by the senate finance committee to recommend a one-year suspension of Italy's complex and unpopular tax on capital gains on share dealings. News of the vote contributed to the sharp rise on the Milan stock exchange. The proposal to suspend the capital gains tax until September 30, 1993, has still to be passed by the full senate, where it will be considered next week. Approval is also required in the chamber of deputies, but stockbrokers are confident MPs will pass the measure.

The suspension will exclude trading in blocks of shares representing more than 2 per cent of a company's capital.

Stockbrokers have bitterly opposed the levy, which taxes capital gains at 15 per cent or 25 per cent depending on how taxpayers choose to pay. They blame it for eroding speculative sentiment and depressing share values.

They add that the tax, introduced in February 1991, has also been disappointing for the Finance Ministry, as low trading volumes and depressed share values have kept receipts below expectations.

The government has recognised the tax is unsatisfactory, but has so far been unwilling to suspend it, in part because such action might be seen as a sop to the rich.

Brussels to examine curbs on professions

By Andrew Jack

THE European Commission's competition directorate is to examine the collective fixing of fees, advertising restrictions and limitations placed on entry to the professions, Mr Claus-Dieter Ehlermann, director general of DG IV, the competition directorate said yesterday.

He told the Board of Chartered Accountants in Business conference in Bristol that he endorsed stronger competition within professions in the European Community. He questioned whether rules of entry to curb membership were acceptable if free access offered no threat to a profession's reputation or the public interest.

Mr Ehlermann laid down five principles underlying competition within the professions, reflected in the European Commission's work to date:

- whether restrictions are justifiable or excessive in relation to objectives;
- national laws do not affect EC competition rules, which may be contradictory;
- collective fixing of fees or charges is banned;
- international co-operation is viewed favourably as long as it does not reserve national markets for national practitioners;
- restrictive practices with mainly national impacts should be left to the national authorities or courts to determine.

Row erupts over treasury bill boycott call

By Robert Graham

A CALL by the populist Lombard League to refuse to buy Italian treasury bills has provoked a parliamentary storm and the threat of legal action.

The call yesterday by Mr Marco Formentini, the league's parliamentary spokesman, was seen in parliament as an attempt to undermine Italy's credibility in time of financial crisis.

Mr Franco Reviglio, the budget minister, described the interview as "irresponsible", and Mr Claudio Martelli, the justice minister, announced he was considering legal action. This is the latest escalation of the league's campaign to embarrass what it regards as a corrupt, free-spending government in Rome living at the expense of the hard-working north.

The league has also advocated a campaign of non-payment of taxes.

But it has become more vocal in the wake of its dramatic success in elections in the northern city of Mantua two weeks ago, when it obtained 34 per cent of the vote and humiliated the traditional parties.

The league has also forced the government to change its mind about postponing other regional elections and these will now go ahead in the northern cities of Monza and Varese on December 13.

By calling for a boycott of treasury bills – which are widely bought by small Italian savers – the league may have overstepped itself by forcing the other parties closer to the coalition government.

Yesterday, Mr Reviglio said the government would be seeking a vote of confidence in the chamber of deputies on the decree, announced two months ago, seeking special authority to carry out reforms of pensions, public health, the civil service and local administration.

The senate has already passed the decree but it has become bogged down in the chamber of deputies and the government is anxious to push it through as quickly as possible to speed up discussion and approval of the 1993 budget.

It is the second time the government has sought a motion of confidence, the previous occasion being the July emergency budget.

Sweden reveals plans for venture capital project

By Robert Taylor in Stockholm

THE Swedish government yesterday announced plans to create an Ecu1.6bn ($2.22bn) venture capital project for small and medium-sized enterprises. The project will be financed initially from a state-run fund abolished last year which the government used to buy shares in Swedish companies. The fund, which was financed through a tax on profits, is in effect being converted into a private capital scheme in which the government will retain a 37 per cent stake.

It will be owned and run by the Swedish companies that contributed to the old wage earner fund. Two main funds will be set up and operated by 150 of Sweden's large companies. Each will have capital resources of SKr2.2bn ($429m).

In addition, six regionally based funds will be established with capital resources totalling around SKr400m each. They will be controlled and 89 per cent owned by around 2,600 smaller companies.

Poland escapes label of central Europe's 'sick man'

Warsaw's surprisingly self-confident government has achieved results, write **Anthony Robinson** and **Christopher Bobinski**

THE DANGER of Poland becoming the "sick man" of central Europe, plagued by weak governments and squabbling politicians, has receded recently. Against the background of an unexpected export-led recovery. Ms Hanna Suchocka, Poland's first female prime minister, has forged a confident government team.

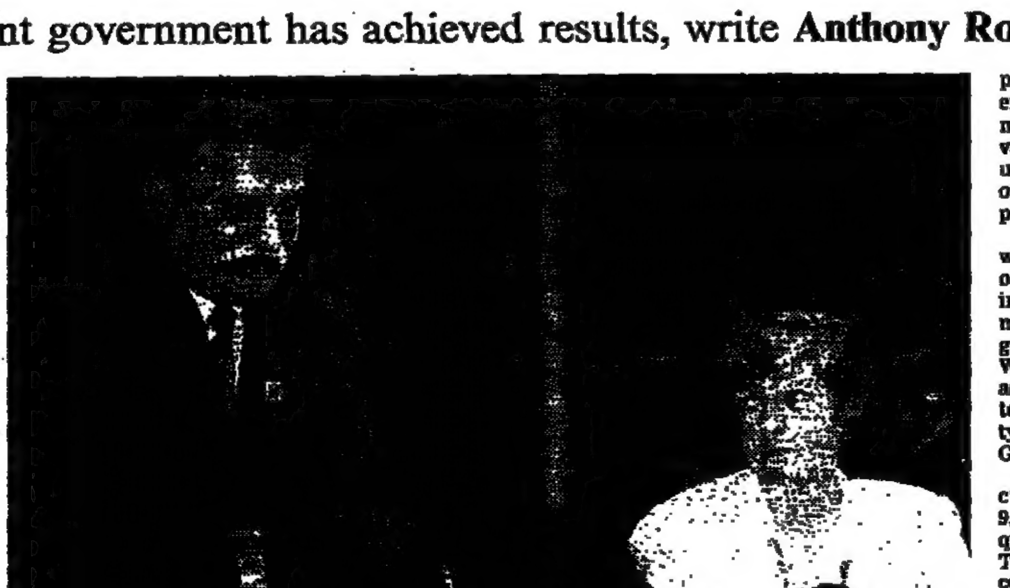
It has won the conditional approval of President Lech Walesa and confounded those who doubted the cohesive power of a coalition government whose members share common roots in the former anti-communist Solidarity alliance.

Taking advantage of the summer break, the government, which includes Mr Jan Krzysztof Bielecki, a former prime minister, and several others who held key portfolios in the first two post-communist governments, worked out a co-ordinated economic, political and social strategy.

An International Monetary Fund team was the first to examine the resulting policy mix. The government's priorities are to cut a growing budget deficit, speed up the privatisation of state-owned enterprises, depoliticise pay bargaining and sustain the export-led recovery in industrial output without reigniting inflation. The IMF team promised to return to Warsaw this month to negotiate a new 15-18 month IMF loan agreement to replace the original $1.7bn three-year extended term facility agreed in April 1991. This was suspended last September when the government overshot agreed budget deficit, inflation and other parameters.

The figures presented to the fund showed that industrial output, including that from the debt-ridden public sector, started to rise in April after a two-year decline which cut production by around 45 per cent from pre-reform, 1989 levels. By July factory output was 9 per cent higher than a year ago.

Polish competitiveness has been restored thanks to a decline in real wages and gradual devaluation of the zloty. Exports rose 12.5 per cent over the first half to $6.88bn, while imports fell 8 per cent to $5.9bn, resulting in a $976m trade surplus and $389m current account surplus.



President Lech Walesa has blessed the policies of Prime Minister Hanna Suchocka

On the negative side, however, a severe drought is expected to cut farm output by 10 per cent this year while unemployment continues to rise, reaching nearly 2.3m, or 12.6 per cent of the labour force at mid-year. Inflation, at 41 per cent in July, is lower than last year's average 60 per cent but is expected to climb again in the second half. Higher food prices and much higher government spending over the second half of the year will boost inflationary pressures towards the year's end.

Cutting the budget deficit from an expected 8.5 per cent of GDP to 5.5 per cent next year is crucial for curbing inflation and preventing the crowding out of the private sector by insatiable public sector demands on limited capital and savings. The government intends to tackle the problem at both ends by pruning public spending and raising income through tax reforms and training a small army of tax collectors. Over the last year the profitability of state-owned enterprises has fallen while much of the fast growing private sector, which now makes up about half the total economy, has managed to evade paying taxes.

As a result tax revenues were 39 per cent below plan over the first half while spending on pensions, unemployment pay and other social programmes continued to rise. Without tough government action the deficit was expected to soar to about 100,000bn zlotys ($7.38bn), over 8 per cent of GDP, by the end of the year.

The government now aims to cut the projected deficit by 9,500bn zlotys in the fourth quarter and 70,000bn in 1993. The package includes a 10 per cent cut in the real value of pensions and other social payments and a 10 per cent increase in consumer taxes prior to the introduction of a value added tax system and better tax collection next year. More controversially, the package also includes a temporary 10 per cent import surcharge on 75 per cent of Polish imports.

The latter will have to be cleared with both the European Community and the Gatt.

To sweeten the bitter pill of lower social security payments Ms Suchocka last month unveiled what she called an "enterprise pact" designed to involve workers more closely in the fate of their enterprises and at the same time depoliticise wage negotiations and labour relations. The hated "popiwek" tax on wage increases is to be abolished in favour of free collective bargaining, with the proviso that wage increases not related to productivity gains will not be financed by the government.

The emergence of an unexpectedly self-confident government does not mean that Poland is without problems. The economic package still has to be approved by parliament. But the lower house, the Sejm, remains fragmented among many small groups which support the government but are prone to factionalism. This could lead to splits that would weaken the government's tenuous majority, although Mr Henryk Goryszewski, the deputy prime minister with overall responsibility for the economy, insists that ideological disputes in parliament – over issues like abortion or the fate of former communists – will not be allowed to derail the government's efforts to find pragmatic solutions to Poland's many problems.

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Hungary makes striking switch to mass privatisation

By Nicholas Denton in Budapest

HUNGARY, anxious to make privatisation more popular with investors and voters and speed up the transfer of industry to the private sector, is moving towards a mass distribution of companies lingering in state control.

The authorities plan to embark next year on a scheme owing much to Czechoslovakia's voucher privatisation. Mr Tamas Szabo, Hungary's privatisation minister, said in an interview yesterday.

The new initiative represents a striking departure for Hungary's privatisers, who have until now set themselves against widespread local distribution of state property, so much so that the word "voucher" remains taboo.

Western multinationals have dominated the Hungarian privatisation picture so far. The first big privatisation deal was in 1990 with the sale for \$150m to General Electric of a majority stake in state-owned Tungsram light bulb producer. This was followed by the sale of Lehel, the refrigerator maker, to Electrolux of Sweden. Last year a spate of sales of state-owned consumer goods companies to western companies brought in \$500m.

But Hungary has been compelled to shift ground. The sale of so much local industry to foreign companies has proved politically increasingly unpopular. There is also a feeling in Budapest that many of the most attractive companies may already have been sold.

"We won't use the word voucher," said Mr Szabo, admitting at the same time that the new scheme would present "a similar picture from the outside as the Czech."

No details of the Hungarian scheme have been released yet. But Czechoslovakia's privatisation programme cuts across a wide spectrum with \$9.9bn worth of equity in 1,491 enterprises to be distributed this summer. Over 8.5m citizens are participating, using vouchers bought for a nominal sum, with two thirds entrusting their vouchers to one of the 460 private investment funds set up earlier this year.

The political impact of was underlined in Czechoslovakia's elections earlier this year. Mr Vaclav Klaus, former finance minister, who masterminded the programme, saw his party win an absolute majority in the Czech parliament.

In addition to the political attractions Hungary's initiative arises out of dissatisfaction with the pace of privatisation which – even if the most rapid in eastern Europe – is not on course to meet the government's target of putting half the economy in private hands by 1994.

"The decisive argument is that we have to achieve a breakthrough," said Mr Szabo.

Clash over N-weapons puts Commonwealth plans in doubt

Missiles row sours CIS summit

By Chrystia Freeland in Moscow and Oleksandr Tkachenko in Kiev

THE dispute between Russia and Ukraine over strategic nuclear weapons is jeopardising the meeting of leaders of the former Soviet republics on the eve of their Commonwealth summit.

Mr Boris Yeltsin, the Russian President, put a brave face on things when he arrived in Bishkek, the capital of Kyrgyzstan, where today's meetings are to be held, saying "it is not a tragedy" if all 10 member states do not agree to all proposals.

But the increasingly hostile row over the missiles demonstrates that the two-speed Commonwealth proposed by Mr Nursultan Nazarbayev, the president of Kazakhstan, earlier this week, could be a very volatile entity.

The argument was sparked by Russia's surprise decision to claim jurisdiction over all the former Soviet Union's nuclear weapons, which the leaders of Russia, Ukraine, Kazakhstan and Belarus, the four nuclear republics, had previously agreed should be collectively controlled through the Commonwealth of Independent States' joint command.

However, in an interview with Russia's Nezavisimaya Gazeta, published yesterday, Marshal Yevgeny Shaposhnikov, head of the joint forces, said that, in agreement with Mr Yeltsin, he was ready to turn over all of the weapons to Russia immediately.

"You cannot leave such terrible weapons under the control of anything other than a specific nation-state," Marshal Shaposhnikov said.

That sparked the ire of Ukraine, which has sought to steer an independent course and opposed efforts to transform the Commonwealth into anything more than "a court for obtaining a civilised divorce".

"We like what we've got," said President Leonid Kravchuk of Ukraine. "Ukraine today has the right to block the launch of nuclear weapons from its territory but is not claiming the right to press the button."

Mr Kravchuk said last week that Ukraine, which has repeatedly promised to become nuclear-free by 1997, had the technical ability to prevent the firing of the 176 ICBMs stationed on its territory.

Russian officials said that Belarus, which is sticking close to Russia, had agreed to the hand-over, while the position of Kazakhstan, which has repeatedly vacillated in its long-term nuclear intentions, is unclear.

Russia is also likely to be attacked today following a threat by Mr Viktor Chernomydrin, energy minister, to switch off oil supplies to republics which do not pay outstanding debts to the Kremlin by Monday. The announcement, the result of an interview with Mr Chernomydrin on Wednesday but widely publicised yesterday, sent a tremor throughout the former Soviet republics, most of which are heavily dependent on oil they buy from Russia at rates well below world prices.

Mr Yegor Gaidar, Russia's acting prime minister, said that, in view of the hostilities, documents establishing the parameters of the rouble zone and increasing the authority of the CIS governing bodies were unlikely to be signed.

Pass down inside, please: It was standing room only for 20 passengers on this Aeroflot flight to Tbilisi yesterday; a dozen more were accommodated in the toilets

Dutch scale down air crash toll

By Ronald van de Krol in Amsterdam

THE DEATH toll in Sunday's crash of an El Al cargo aircraft into two Amsterdam apartment buildings is now thought to be less than the original estimate of 250, but city officials say the true number may never be known.

Rescue workers have recovered 49 badly burnt bodies and do not expect to find any more victims in the twisted wreckage of the 80 flats. A city spokeswoman said the fierce temperatures of the fires which engulfed the flats meant some bodies might be irrecoverable. The number of dead is still expected to exceed 49, "but we are cautiously optimistic that the figure of 250 will prove to be on the high side".

The Amsterdam rescue team is to be helped by British investigators involved in the recovery of bodies after the explosion of a Pan Am airliner over Lockerbie in Scotland in 1988. Yesterday, the town council of Lockerbie sent a wreath of flowers to Amsterdam to express the town's condolences over the Dutch air disaster.

Ukraine force to be reckoned with

By David White, Defence Correspondent

UKRAINE'S emergence as one of Europe's main military heavyweights is shown up starkly in the International Institute for Strategic Studies' latest "Military Balance".

The break-up of the Soviet Union has left Ukraine with an air force of about 1,100 combat aircraft, more than any Nato country in Europe and more than twice as big as any of Moscow's former Warsaw pact allies.

Although Ukraine's armed forces, at 230,000, are smaller than Poland's, its holdings of tanks and armoured vehicles are bigger than any European nation after Russia and Germany. This is set to remain the case after reductions in heavy land weaponry and aircraft are completed under the Conventional Armed Forces in Europe (CFE) treaty.

The material contained in the annual publication, which for more than 30 years set out a balance of forces between east and west, has had to be radically reorganised to take account of the abolition of the Warsaw Pact and the disintegration of both the Soviet Union and Yugoslavia.

In the Middle East, the institute has revised upwards its estimate of the artillery strengths of both Iran (increased from 1,000 to more than 1,300 heavy guns) and Iraq (1,200 instead of 1,800). Recorded additions to Iran's air force include 10 modern Russian MiG-29 fighters (part of what is reported to be a much larger purchase), a similar number of Su-24 attack aircraft and 12 Chinese F-7 fighters, an updated version of the Soviet MiG-21.

Iraq's army strength is estimated at 29 divisions, half the number existing before the 1991 Gulf conflict. These include seven Republican Guard armoured and mechanised divisons, compared with four reported a year ago. Naval capability is expected to be minimal for several years, although more Iraqi naval vessels survived the war than was originally thought, the IISS says.

The Military Balance 1992-1993, IISS/Brassey's, £35/\$55.

Japan dismisses Kuriles proposal

By Charles Leadbeater and Reuter in Tokyo

THE Japanese government yesterday responded sharply to a suggestion by President Boris Yeltsin of Russia that two of four disputed islands could be handed back to Japan under a 1956 agreement.

Mr Koichi Kato, chief cabinet secretary, said the Russian leader did not fully understand the Japanese position.

Mr Yeltsin's comments came at a Moscow news conference shown on Japanese television. He said he might reschedule his planned visit to Tokyo, which he cancelled abruptly in September, if the Japanese accepted the return of Shikotan and Habomai, the smallest of the four islands occupied by Soviet troops at the end of the second world war.

Japan says it will not conclude a peace treaty with Russia or provide substantial economic assistance unless Moscow recognises Japanese sovereignty over the four islands, which it calls the Northern Territories.

"Our position is that we will be flexible if Russia recognises Japan's sovereignty over the four islands," Mr Kato said.

Denktash occupation plan draws UN fire

THE NEW UN co-ordinator on Cyprus yesterday criticised a Turkish-Cypriot plan to move people into an area abandoned by Greek Cypriots, Reuter reports from Nicosia.

Mr John Maresca said the measure did not contribute "a positive attitude".

He was answering a question on a plan, disclosed by Mr Rauf Denktash, the Turkish-Cypriot leader, on Tuesday, to house foreign students in buildings in Varosha, a deserted suburb of the Turkish-held coastal town of Famagusta.

The Greek-Cypriot inhabitants of Varosha fled their homes when the Turkish army invaded the island in 1974. Turkey has 30,000 troops in the occupied northern third of the island.

The government of Cyprus protested to the United Nations about the Varosha plan yesterday. However, Mr Maresca, speaking after meeting President George Vassiliou of Cyprus, said he thought progress was possible in the next round of UN-sponsored talks in New York on October 26.

Soisson: nervous

French farmers set to fight Gatt concessions

By David Buchan in Paris

FRENCH farmers are once more mobilising themselves to try to thwart any EC concessions on farm trade in the negotiations under the General Agreement on Tariffs and Trade (Gatt).

In the run-up to the EC's Birmingham summit on October 16 – which would have to endorse any deal reached with the US in Brussels this weekend – they will next Wednesday launch a "day of action" to lobby MPs, MEPs and local officials across the country.

But, clearly nervous about this weekend's negotiation, Mr Jean-Pierre Soisson, France's new agriculture minister, was in Brussels last night to stiffen EC negotiators' backbones.

France was taken aback by the virtual isolation of its trade minister, Mr Dominique Strauss-Kahn, in the EC Council of Ministers earlier this week on Gatt, and particularly by the line taken by his German counterpart, Mr Jürgen Möllemann, that a Gatt deal was needed to calm the world's money markets.

Mr Strauss-Kahn retorted that the two elements were quite unrelated, but Paris is clearly worried.

French officials regard it as unlikely that the Council of Ministers might try to push a Gatt deal through by majority vote. But there is concern that the US may have now bought Germany off by accepting that the bulk of direct aid to farmers, of prime interest to Germany's small and inefficient agricultural sector, should be exempted from cuts.

Paris' prime concern is that this weekend should not produce an US-EC accord on agriculture alone. This would not only further foment next Wednesday's demonstrations. It would also, officials in Paris say, weaken the Community's bargaining hand on other unresolved Gatt issues, in which France has a big stake. These include:

- Services. France wants to push the US harder on liberalising trade in services. After the US, France is the second biggest exporter of services – chiefly related to finance, technology, telecommunications and tourism – with a FFr50.7bn (£5.95bn) surplus in 1991.
- Subsidies. France wants the draft Gatt code on subsidies to exempt subsidies for aircraft-making, research and development and environmental improvements.
- Intellectual property. France feels Gatt protection of marks of origin for wine and cheese is inadequate.
- Dispute settlement. Like its EC partners, France wants any strengthening of Gatt dispute procedures to stop the US seeking unilateral redress.

For French farmers, of course, the fight with the US is on agriculture alone. They proved their political clout by helping bring the Maastricht treaty within a whisker of defeat in the September referendum, and the unpopular Socialist government needs all the votes it can get in next March's parliamentary elections.

The main farmers' union, FNSEA, is furious with Brussels "betrayal" in first selling the Common Agricultural Policy reform as a "shield against Gatt", and now asking them for further concessions in Gatt. Their chief complaint is the "unfair" way in which Gatt proposals would cut EC and French exports back far more than US exports.

US worries on Uruguay Round

By Nancy Dunne in Washington

THE tumult over potential movement on the long-stalled Uruguay Round under the General Agreement on Tariffs and Trade (Gatt) is being watched nervously by one group with much to benefit – or to lose – from the outcome: American farmers.

Over the years, enthusiasm has waned as the shape of a proposed settlement in the agriculture talks emerged. It became clear from the draft text, proposed by Mr Arthur Dunkel, the Gatt director-general, that the long-promised aim of free trade in agriculture would be no more than a goal for years to come.

Protected US commodity groups looked at what they would have to sacrifice so their fellow farmers would get access to new markets and began to see some validity in the Japanese argument for "food security".

The anxiety is compounded by the unseen presence of the White House "puppet master" – Mr James Baker, former and possibly future secretary of state. "He'd sell us out in a second," said one farm leader.

One prominent participant on the US side is the American Soyabean Association, whose long-delayed case against the EC oilseeds subsidies – twice won in a Gatt dispute settlement panel – may well be enmeshed in a final Gatt farm deal. In the hope of avoiding that linkage, the group has been urging the administration to impose $1bn (£562m) in sanctions against the EC since August, when a 60-day negotiation period under Gatt expired.

Sixty of the 100 US senators signed a letter to the administration last month urging the US to "take action to enforce its Gatt rights". With this kind of pressure on the administration, there are fears that US officials will trade off wheat for soyabeans – agreeing to a possible EC offer to limit its oilseeds production to 7-8m tonnes – in exchange for a larger share of the subsidised wheat trade.

In Minnesota, Mr Mark Ritchie, head of the Institute for Agriculture and Trade Policy, has been a powerful force in organising US farmer resistance to Gatt. From the centre of a worldwide network of similarly concerned farmers, he fears the talks are on the verge of a breakthrough.

"Bush has to have something to show domestically for his focus on international issues," he says. "He has a club called oilseeds hanging over the Europeans, and they have the key to unlocking the Gatt deal."

EC officials are aware that President George Bush badly wants a deal, and they are most likely to get their best offer now.

Talks on how to mollify France

By Lionel Barber in Brussels

WITH three days remaining until crucial EC-US talks on a trade liberalisation agreement in the Uruguay Round under the General Agreement on Tariffs and Trade (Gatt), senior officials in Brussels are focusing on how to overcome French opposition to potential European concessions on agriculture.

Last night, Mr Jacques Delors, European Commission President, was holding talks with Mr Jean-Pierre Soisson, France's new farm minister, and Mr Frans Andriessen, the EC commissioner responsible for external affairs, in a move seen as trying to co-ordinate a clear EC bargaining position ahead of the weekend talks.

One tactic gaining high-level support side the European Commission is to stress the huge benefits for France in the services sector if a Gatt deal was reached.

Mr Andriessen, one of the EC's lead negotiators in the weekend talks, said yesterday that France was "very competitive" in services. It was important not to focus solely on the agriculture sector, however politically sensitive, he said.

The weekend talks in Brussels will cover all disputed areas, including farm exports, services and market access. An outline deal would have to embrace a "set of elements" which could be wrapped into a single package to be negotiated in detail by the end of the year, EC officials said.

In a little-noticed speech this year, Mr Delors made such a link. He asked rhetorically if France could accept a reduction of FFr2bn (£235m) in cereals exports, if it could export FFr5bn in industrial goods and FFr2bn in services, if the Uruguay Round were completed.

The weekend talks, which begin on Sunday and may stretch into Monday, include Mr Andriessen, Mrs Carla Hills, US trade representative, Mr Ray MacSharry, EC farm commissioner, and Mr Ed Madigan, US agriculture secretary.

The biggest obstacles are how far payments to EC farmers in compensation for big price cuts agreed in the recent Common Agricultural Policy reform should be exempt from cuts under the Uruguay Round "final act"; how far the EC must cut its subsidised farm exports, and the amount of subsidy; and how to ensure a "peace accord", whereby the US agrees to forgo future retaliation against what it considers unfair competition.

Mr Andriessen said yesterday he had a clear mandate from the Council of Ministers meeting this week in Luxembourg to negotiate, even if it meant taking some risks. "The risk not to succeed is more dangerous than the risk of succeeding," he said.

Little progress on US-Japan car import deal

By Charles Leadbeater in Tokyo

JAPANESE and US car makers have made little progress in implementing the agreement to boost US car imports into Japan reached when President George Bush visited Japan in January.

Toyota acknowledged yesterday that it was still negotiating with General Motors, the largest US producer, over a plan for Toyota to import 5,000 more GM cars a year.

The deal between the two companies was the second largest component in the an overall agreement in which five Japanese manufacturers agreed to import an additional 20,000 US cars by 1994.

The agreement, designed to ease trade frictions, was signed by US car industry executives who accompanied Mr Bush and was one of the most controversial aspects of his visit.

However, there were signs yesterday of a renewal of trade friction over cars after a lull since the start of the year.

The Japanese Automobile Association accused the US Congress of erecting a non-tariff barrier against cars made at factories owned by foreign manufacturers by attaching labels which identify foreign-made components.

According to the Japanese Automobile Importers Association, car imports from the US in the first nine months of the year were up just 2,713 to 25,730.

Most of the rise was accounted for by a surge in sales of the US version of Honda's Accord, which is not covered by the January agreement.

Imports of the US Honda Accord have risen from 10,541 in the first nine months of last year to 13,840 in the same period this year.

Sales of GM cars fell from 7,146 to 7,041 in the first nine months, while Ford's sales rose by 48 to 2,419 and Chrysler's were up 50 at 1,171.

The negotiations between Toyota and GM have been complicated because Yanase, another Japanese car distributor, already has the right to import GM cars.

Toyota, Honda and Nissan said they were proceeding with plans to more than double their purchases of US-made components by 1994.

But none of the companies could say how much they had increased US purchasing so far this year.

Supercomputer trade row brews

By Robert Thomson in Tokyo

THE choice of a Japanese supercomputer by the country's Ministry of Education appears set to become an embarrassing trade dispute between Tokyo and Washington, which hoped the ministry would choose a US machine.

The ministry chose a supercomputer made by NEC of Japan over a model from Cray Research of the US, which appealed in July against the decision to a new disputes panel.

But the panel this week rejected the complaint from Cray, whose political influence in the US has ensured that supercomputers have been a sensitive bilateral trade issue for the past decade.

Cray described the panel's decision as "disappointing", but stronger words are likely to be used after Mr John Rollwagen, the company's chairman, arrives in Tokyo today.

His company had complained that the ministry's institute for fusion science, which bought the machine, allegedly set technical specifications favourable to NEC and leaked information to the company.

NEC said yesterday the US supercomputer market was less open than Japan's.

Cuba ban upsets EC

THE EC has reacted angrily to US attempts to reinforce a trade embargo on Cuba, which it believes could break international trade law, Andrew Hill writes from Brussels.

"The extension of [the embargo] has the potential to cause grave damage to the transatlantic relationship," the European Commission said yesterday after lodging a formal diplomatic protest with the US State Department on Wednesday.

US President George Bush was yesterday set to approve the Cuban Democracy Act. The Commission said the act would force US and Cuban trading partners to comply with US prohibitions on trade, even though they lie outside the formal jurisdiction of the US.

OECD EXPORT CREDIT RATES

Minimum interest rates for officially supported export credits (%)

	Oct 15- Nov 14	Sept 15- Oct 14
D-Mark	8.77	9.45
Ecu	9.54	9.47
French franc	10.28	10.54
Guilder*	8.80	9.80
Guilder#	8.80	9.45
Guilder†	8.85	9.30
Italian lira	14.54	13.48
Yen	5.60	5.50
Peseta	14.12	13.73
Sterling	10.20	10.56
Swiss franc	7.67	8.08
US dollar*	5.42	5.72
US dollar#	6.38	6.60
US dollar†	6.96	7.12

*Up to 5 years.
#Five to 8½ years.
†More than 8½ years.
These rates are published monthly by the Financial Times, normally around the middle of each month. A premium of 0.2 per cent is to be added to the credit rates when fixing at bid. Interest rates may not be fixed for longer than 120 days. SDR-based rates of interest are the same for all currencies. The SDR-based rate was changed on February 15 to 8.10 per cent. It will be subject to change on January 15, 1993.

Japanese 'godfather' under pressure

By Robert Thomson in Tokyo

MR Shin Kanemaru, the disgraced "godfather" of Japanese politics, was under increasing pressure last night from within his ruling Liberal Democratic Party to respond to public criticism of his behaviour by making a ritualistic show of remorse.

The ruling party has been shaken by continuing public protests and polls reflecting deep disgust with the lenient treatment of Mr Kanemaru, who was given a Y200,000 (£984) fine for accepting an illegal donation of Y500m from a parcel delivery company. There is also public anger over his apparently frequent dealings with gangster groups.

Mr Kanemaru was under attack yesterday on two fronts, from within his own faction, the party's largest, and from other LDP factions. Seven MPs from three different factions yesterday urged the "godfather" to resign from the party, while others have suggested privately that he should give up his parliamentary seat.

Members of Mr Kanemaru's faction have been meeting over the past three days to discuss his plight, and it is clear that senior members see the present turmoil as an opportunity to improve their own standing and challenge Mr Ichiro Ozawa, the former party secretary-general and Mr Kanemaru's chosen successor.

Meanwhile, Mr Kiichi Miyazawa, the prime minister, has watched helplessly from the sidelines. Reliant on Mr Kanemaru to raise the numbers necessary for his appointment last year, he is unable to take action against him. Mr Miyazawa's lack of leadership has been condemned in Japanese editorials, while the LDP has been distracted from issues such as the ailing economy and the troubled relationship with Russia.

When he first confessed in late August to taking the illegal funds, Mr Kanemaru resigned as vice-president of the party and said he would resign as chairman of the faction, which is the more powerful of the two positions. But he has since been encouraged to keep that position for fear that his departure would create a bitter fight for control of the faction.

However, fighting has anyway erupted within the faction, as senior officials opposed to Mr Ozawa's "arrogant" management style have attempted to blame him for the problems faced by the "godfather". At the same time, public demands for Mr Kanemaru's resignation have failed to dissipate.

The Mainichi Shimbun, a leading Japanese daily newspaper, has opened an "action line" to encourage readers to complain. A 54-year-old real estate agent warned that "the administrators of justice, the politicians and organised crime" have been co-operating with each other and "we can't let this situation continue".

A 57-year-old housewife said she was "disillusioned" by the handling of Mr Kanemaru's case, and suggested the Social Democratic Party, the leading opposition party, had been cowardly. The SDP is reluctant to get involved in the dispute because its own members have received illegal funds from the same parcel delivery company, Tokyo Sagawa Kyubin.

Pedestrians make donations and sign a petition in Tokyo yesterday demanding the resignation of Shin Kanemaru (pictured above) as a student, wearing a Kanemaru mask and handcuffs, begs pardon for accepting illegal funds

Employers deliver gloomy assessment of growth

By Charles Leadbeater in Tokyo

THE Japanese government's official target for growth of 3.5 per cent in the year to next March was hanging by a thread last night after employers' leaders delivered a gloomy assessment of the economy's prospects despite the emergency package announced in late August.

The Federation of Economic Organisations told the government it would have to take further measures to stimulate the recovery after a survey of its leading members found that most expected growth of 2.6 per cent this year.

Many Japanese economists, financiers and industrialists regard sustained growth of below 3 per cent to be a "growth recession" in an economy which in the late 1980s was used to expansion of more than 5 per cent a year.

The employers' doubts were given added weight by a flurry of reports in which economists reduced their forecasts for growth over the next two years to well below the official government target.

With the initial euphoria over the August package fading, the government is under increasing pressure to consider tax cuts next year to revitalise the economy.

Mr Shizuka Kamei, vice-chairman of the ruling Liberal Democratic Party's policy affairs research council, renewed calls from within the party for the government to force the Ministry of Finance to relax its opposition to increased borrowing to finance higher public spending. Mr Kamei said there would be a tax shortfall of Y5,000bn (£24.6bn) this year.

Mr Gaishi Hiraiwa, the Employers' Federation chairman called on the government to introduce an additional programme to stimulate the economy after delivering the bleak survey results to the Economic Planning Agency.

The Federation said a majority of companies welcomed the emergency Y10,700bn package announced in August, but criticised both the government and the Bank of Japan for acting too late to stimulate the economy.

Although most employers believed the economy would recover from next spring, many forecast that it would then grow only slowly. Several doubted whether the Y8,600bn public investment programme which forms the core of the special package could be implemented by next March.

The Federation called for cuts in income and corporation taxes, a review of land and securities taxation, looser monetary policy and an examination of whether indirect taxes should be raised to finance tax cuts elsewhere.

The Japan Research Institute also called for a further Y4,000bn cut in income taxes, while the Nomura Research Institute called for an additional package of Y6,000bn.

● Japan's machine tool industry is facing a severe contraction after a 45 per cent drop in new orders in August, compared with last year.

The Machine Tool Builders Association said the fall mainly reflected a prolonged slump in orders from the car industry, which is cutting back on investment. Orders from the car industry fell 55.4 per cent from the year before. The association warned that the decline in orders was likely to last for several months as investment plans are cut back to reduce costs and raise profitability.

India unveils lending rate cut of 1 point

By R C Murthy in Bombay and Stefan Wagstyl in New Delhi

THE Reserve Bank of India, the central bank, yesterday signalled a modest easing of monetary policy with a 1 percentage point cut in commercial lending rates and a relaxation of liquidity rules for banks.

Mr S Venkitaraman, the governor, said the measures were a response to distinct signs of recovery in the Indian economy, after a sharp slowdown in growth last year when the government introduced austerity measures to cope with a balance of payments crisis.

But industrialists said the cut in commercial banks' minimum lending rate from 19 per cent to 18 per cent would not be enough to revive the economy. The Confederation of Engineering Industry had asked for a 4 point cut.

Stock investors were unaffected by the central bank's announcement and the Bombay Stock Exchange's 30-share index fell eight points to 3211.55. Nevertheless, a leading government economist said the cuts would be "a modest stimulus" to industry.

Yesterday's rate cuts were the first since rates were raised to record levels last year and follow a sharp decline in the annual inflation rate from a peak 16.3 per cent to 8.8 per cent at the end of last month.

However, the reserve bank is adjusting its policy cautiously. While the commercial banks' minimum lending rate is being reduced, and deposit rates are also coming down, the central bank's bank rate, its main indicator rate, will stay unchanged at 12 per cent.

The reserve bank also cut its statutory liquidity ratio – the proportion of funds which commercial banks are obliged to invest in government securities.

This spring the ratio was cut to 30 per cent for new deposits from 38.5 per cent. Following yesterday's announcement, the figure for existing deposits will be reduced from 38.5 per cent to 37.75 per cent, in a move which will release funds for commercial loans.

In a speech to bankers in Bombay, Mr Venkitaraman said industrial production would probably rise by 4 to 5 per cent in the 1992-1993 financial year, which started in April. This follows a marginal 0.1 per cent increase last year.

Meanwhile, in a cautious move to restore life to the market in government securities, which has been hit by a Rs35bn scandal, the central bank is resuming the sales of government securities to banks under repurchase terms (repos). Repo sales were stopped in May when the scandal erupted. However, a ban on repo sales between banks, which were the occasion of regulatory abuses, will stay in place.

Australian jobless down

By Kevin Brown in Sydney

AUSTRALIA'S politically sensitive unemployment rate dipped to 10.8 per cent in September from 10.9 per cent in August, but economists said the prospects for further reductions appeared to be slim.

Government figures showed that the reduction in unemployment was entirely due to a fall in the number of people seeking work. The number of people employed fell by 44,000, following a fall of 17,000 in August.

Mr Kim Beazley, employment minister, welcomed the fall and said the underlying trend suggested that the "shake-out" in employment was coming to an end.

However, economists said the figures showed that Australia's recovery from the 1990-1991 recession remained disappointingly slow.

NEWS: INTERNATIONAL

China taking fast lane to economic reform

The first party conference since Tiananmen Square opens next week. **Simon Holberton** reports

NEXT Monday the 1,991 Communist Party officials who govern China's 1.2bn people gather in Beijing for the party's five-yearly conference. They will elect 20 men and women who will have day-to-day responsibility for China's development over the next five years.

This is the first meeting of the party since June 4, 1989, when the People's Liberation Army suppressed pro-democracy demonstrators in Tiananmen Square, leaving hundreds, perhaps thousands, dead and China's international image in tatters. Yet, as the delegates assemble in the Great Hall of the People, located on that square, they can be forgiven for feeling a little smug.

Three years after the blood letting in Tiananmen, life has returned to a semblance of normality and the economy is growing rapidly. Foreigners, whose governments shunned China's leaders, are scrambling over themselves to invest; tourists are returning in droves.

Internationally, China has regained much of what was lost in the immediate aftermath of Tiananmen. Most sanctions have been lifted; this year alone diplomatic relations have been opened with Israel, a host of central Asian republics, and, most recently, South Korea. Later this month Emperor Akihito of Japan will pay a state visit.

The collapse of the Soviet Union last year, however, looms large over next week's congress, the 14th in the party's 71-year history. It left China standing exposed as the last communist state of any consequence. The nation's leaders, secluded behind the high walls of Zhongnanhai, Beijing's Kremlin, were reduced to a state of shock.

Deng Xiaoping, the 88-year-old senior leader, seized the moment. The lessons he was quick to learn from the Soviet Union's demise were distilled in an internal party document circulated after his tour of southern China in January. Deng said economic reform had to be pursued vigorously and living standards raised if the Communist Party was to retain power; at the same time social and political controls had to be strengthened.

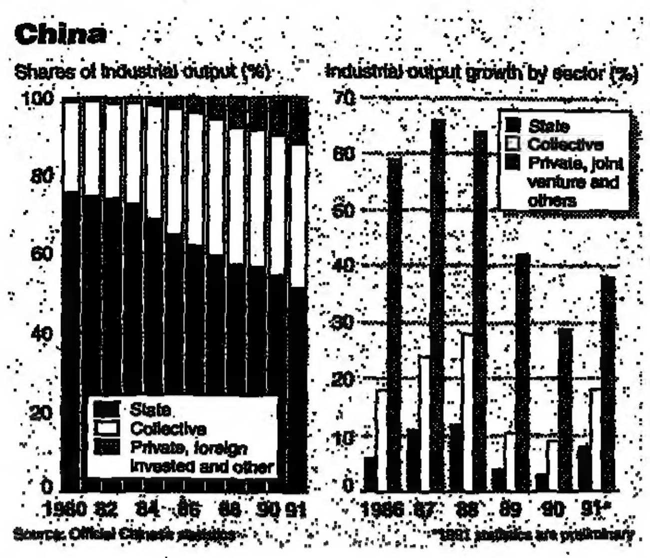
In short, Deng gave a ringing endorsement to *perestroika* without *glasnost*. Few analysts hold out any hope that the congress will initiate any political reforms; it is expected to focus on the economy and its further deregulation.

The results of the past 13 years of reform, as Deng has pointed out, have astonished the world. China's economy has more than doubled in size. On current trends it will double again by the end of the century.

Last year real gross domestic product grew by 7 per cent. This year, after three years of self-imposed restraint, it may well rise by more than 10 per cent. Moreover, the congress is expected to endorse plans for the rapid modernisation of the economy. This may well be translated into a target of 9 per cent or 10 per cent annual growth for the rest of the decade.

During the first half of 1992, China's annual growth rate was more than 12 per cent. Industrial production rose by 18 per cent a year; consumer spending was up 14 per cent. The rapid growth in the economy was, however, fuelling inflation and harming the balance of payments.

By the middle of this year China's inflation rate was rising by 5 percentage points a year. The national figures, however, disguise inflationary pressures in the cities, where politically they matter most. Challenges to the central government's authority have traditionally been most strong in the cities at times of high inflation.



The lesson Deng quickly grasped from the Soviet collapse was that China needed rapid economic reform alongside strong political controls

For the first half of the year, prices were rising in the big cities at more than 15 per cent a year. Since June they have been growing at up to 20 per cent. This year's acceleration in the inflation rate has raised fears that China may be experiencing another of its "boom-bust" economic cycles. The last "bust" was in 1988/89 when credit was virtually halted and growth dropped sharply.

The extent to which the inflation reflects excess of demand and/or structural supply rigidities in the economy – as it did in 1988 – or the effects of price reform is difficult to determine. Already this year China has lifted price controls on 648 types of industrial commodities, from high quality steel to glass and some machinery parts, leaving 89 subject to control.

As rapid growth took off this year, imports began to rise and the surplus on China's trade account of the balance of payments began to contract. In the first six months of this year, China's trade surplus was running at an annual rate of $5bn, compared with $8bn in 1991 and $8.7bn in 1990. On current trends, China could have a trade deficit in 1993.

The prospect of a trade deficit should not, in theory, give rise to concern. For a developing country like China, a current account deficit can be desirable if imports go to improving the nation's infrastructure and not to satisfying consumer desires. Moreover, with foreign reserves of more than $40bn, such a deficit should be manageable.

There is, however, anecdotal evidence that part of the import bill is going towards satisfying consumer needs. In Hong Kong, Mercedes Benz cars are disappearing from the streets at the rate of three a day to be smuggled by high speed boats to China.

In spite of the successes of the past 13 years, however, the legacy of central planning and Mao's penchant for massive industrial complexes – the Chinese version of "Stalinist giantism" – weighs heavily on the economy.

State industry, a third of which could be profitable, still accounts for more than 50 per cent of China's industrial output. This industry – which in 1980 accounted for around 75 per cent of industrial output – is growing painfully slowly and is dependent for its survival on subsidies.

Over the six years to 1991 the industrial output of state industries grew by about 7.5 per cent a year. This compares with 50 per cent growth a year for private and foreign-funded companies and about 18 per cent a year for collectively-owned companies – enterprises run at the village or township level and outside the control of the central government.

But instead of dealing with state industry – much of which in a rational economy would be shut down – there are signs that the government has simply shifted the burden of subsidies from the budget to the banking system, or, equally worrying, has been powerless to stop the banks from lending.

Investment by state companies in fixed assets by mid-year was growing at an annual rate of more than 35 per cent, fuelled by loans by state banks which totalled Yuan125.6bn (£13bn) – more than twice the planned level of advances of Yn60bn. This investment has led to higher output, but how much of it found its way to market is moot. By the end of June stockpiles of unsold goods produced by state companies stood at Yn139bn, 23 per cent higher than at the beginning of the year.

The behaviour of the banking system also underlines one of the central weakness of reform: China has few levers of macro-economic management. This is the consequence of an unprecedented decentralisation of economic decision-making without any strengthening of central government macro-economic controls.

Beijing has done little to develop a proper banking system and monetary policy: interest rates are virtually meaningless and quantitative controls on credit have weakened in the face of pressures provincial leaders put on bank managers to lend to local industry.

Deng: perestroika without glasnost

On his tour of southern China earlier this year, Deng enunciated a set of ideas which are expected to be enshrined by next week's congress. The most important is that of the "socialist market economy". This gives theoretical justification to many of the changes planned, especially in the area of state industry and the further deregulation of prices.

The congress is expected to redefine state industry from being "state-run" to "state-owned". . This will pave the way for a separation of ownership from management.

Managers will become "independent" from their controlling ministry; managers will be given complete control over business policy, including remuneration and the hiring, firing and promotion of employees. Significantly, the party will permit company insolvencies.

China will also press ahead with share ownership and the development of capital markets; it may also encourage the development of large scale industrial groups.

Since the mid-1980s many foreign economists involved in advising China have been suggesting ways for it to reform the state sector. The creation of profit-seeking, rather than output-oriented, enterprise groups is one idea that gained widespread support and it is a model that may be endorsed by the congress.

Price reform is also expected to be embraced. With the economy growing strongly and incomes rising, it is thought that now is the best time to push ahead with reform of prices.

These are some of the areas which China's leaders are expected to attack.

But crucially in a country like China were the person is as important as the policy, the composition of the leadership will determine the vigour with which the plans are enacted. Next week, reformists may get their policies accepted on paper, but unless they emerge dominant from the congress they may find them very difficult to carry out.

Egypt presses Israel to withdraw

By Hugh Carnegy in Jerusalem

MR Amr Moussa, Egypt's foreign minister, made a trip at short-notice to Israel yesterday in an apparent effort to persuade Israeli leaders to make commitments to withdraw from occupied Arab lands as a way to ensure progress at Middle East peace negotiations due to resume in Washington later this month.

It was the highest level visit to Israel by a minister from Egypt – the only Arab state to have made peace with the Jewish state – since 1987.

In talks with Mr Yitzhak Rabin, the prime minister, and Mr Shimon Peres, the foreign minister, Mr Moussa discussed ways of advancing the bilateral negotiations under way for almost a year between Israel and, respectively, Syria, the Palestinians, Jordan and Lebanon. He said he had conveyed a message to Mr Rabin from President Hosni Mubarak.

The main focus is on the talks with Syria and the Palestinians. At the last round in the US capital last month, the chief obstacle in both cases was Israel's reluctance to detail how far it was willing to carry its general commitment to trade some occupied land in both the Syrian Golan Heights and the Palestinian West Bank and Gaza Strip.

"We are trying to build confidence," Mr Moussa told reporters.

Savimbi 'conceding defeat'

SENIOR aides to Mr Jonas Savimbi have assured the US that the Angolan rebel leader will accept the results of his country's elections and not resume the civil war, President George Bush's top Africa adviser said yesterday, Reuter reports from Washington.

Appearing at a congressional hearing, Assistant Secretary of State Herman Cohen was asked what would happen if Savimbi's Unita rebel forces "returned to the bush".

"We're confident they will not do that. I've had some private assurances from some senior associates of Dr Savimbi in the last days that they will abide by the [election] results, Mr Cohen said.

Referring to the possibility of renewed warfare, Mr Cohen said Unita (Union for the Total Independence of Angola) "know of course that this is an impossible procedure. There will be absolutely no support in the international community or internally for such an operation".

Reports from Luanda said Mr Savimbi, yesterday secluded in a Unita stronghold more than 300 miles from the capital, was holding out against international pressure to accept defeat in elections.

Angolans say they fear Unita's defiance of international opinion may be the prelude to renewed civil war.

Tajikistan peace force planned

By Steve LeVine in Dushanbe

PRESIDENTS of the Commonwealth of Independent States, fearing Tajikistan's worsening war and the growing influence of its Islamic groups, plan to deploy a peacekeeping force to separate the combatants, officials in Dushanbe said yesterday.

The fighting, which has killed more than 2,000 people this year, paralysed the local economy and left the government in chaos, is a main topic at a CIS presidential summit which starts today in Kyrgyzstan, Tajikistan's neighbour, which is potentially threatened by the violence.

Tajikistan's combatants have agreed to accept a peacekeeping force from Kyrgyzstan, political leaders said in interviews. But, a month after a coup removed hardline President Rakhmon Nabiyev, the Commonwealth's south-eastern corner still seems unlikely to stabilise soon.

Diplomats say this is partly because arms are flowing in to each side from Afghanistan and elsewhere, and neither is likely to surrender when power is at stake.

Both sides have become only more polarised in recent weeks, as Islamic leaders behind the new government have largely marginalised their secular allies in the former opposition to Mr Nabiyev. Now, Tajikistan's most powerful political forces are the republic's paramount Moslem leader, Qazi (judge) Akhbar Toradzon Zoda, and the Islamic Renaissance party.

The attempt to pacify Tajikistan follows more than a year of upheaval. In May, Mr Nabiyev surrendered one-third of his 24-member cabinet to the opposition after a bloody, 51-day standoff in Dushanbe. Immediately afterward, however, ethnic warfare broke out between regions loyal to the competing political sides. On September 7, Mr Nabiyev was lured to Dushanbe Airport, where armed men from a group calling itself Tajikistan Youth forced him to resign. Fighting escalated, despite his removal.

A key concern of Russian President Boris Yeltsin has been release of the beleaguered 201st CIS division, which has been trapped by the fighting.

The fighting has alarmed Mr Islam Karimov, the Uzbekistan president, who has tightened the border considerably in recent weeks. Rail services from Uzbekistan have been halted, except for trains from Moscow.

The chief aim of the proposed peacekeeping force is to dislodge the warring forces from the southern region of Kurgan-Tyube, where almost all the fighting has taken place. Villages near the region have emptied, as tens of thousands of refugees have fled.

The Kyrgyz force would be deployed in two areas, according to Mr Shadman Usupov, chairman of Tajikistan's Democratic party – the town of Kaleninabad, north of Kurgan-Tyube, and at the Sharshar Pass, just north of the southern region of Kulyab, a stronghold of Mr Nabiyev.

Tajikistan was left without a national army when the Soviet Union dissolved last December. The new government is being defended by combined forces loyal to the IRP and Mr Zoda, the Islamic leader. Their forces are mostly from the eastern region of Garm, and have received hundreds of guns from Afghan rebels, military officials say.

The anti-government side is composed almost entirely of men from Kulyab, and has been armed in the past from government caches. Other weapons have come from CIS arsenals. Two weeks ago, for example, anti-government forces stole four Soviet tanks and six other armoured vehicles from the 201st.

"We cannot be safe when any gang can take a tank and destroy a city or a village," said Tajikistan's deputy KGB chief, Mr Jurabek Aminov.

NEWS: THE AMERICAS

Bush attacks Clinton over anti-war role

By Jurek Martin, US Editor, in Washington

PRESIDENT George Bush has picked up a theme previously confined to the right wing of the Republican party and accused Mr Bill Clinton of unpatriotic behaviour in his activities against the Vietnam war more than 20 years ago.

Mr Clinton's campaign immediately dismissed the president's charges, aired in a television talk show appearance on Wednesday night, as "a sad and pathetic ploy by a desperate politician".

Mr Bush went so far as to suggest that a trip Mr Clinton made, early in 1970, to the then Soviet Union was somehow linked to his part in anti-war protests while he was a student at Oxford. "I cannot for the life of me understand demonstrating against your own country when you are in a foreign land," the president declared.

He then questioned Mr Clinton's mission to the Soviet Union. "To go to Moscow, one year after Russia [sic] crushed Czechoslovakia, and not remember who you saw there... You can remember who you saw in Oslo but you can't remember who you saw in Moscow?"

These allegations were first raised last week in late-night speeches in the House of Representatives by Congressman Robert Dornan of California, a red-bearded, red-blooded conservative known for his scathing attacks on any Democrat, particularly on Mr Clinton.

These were then picked up over the weekend on late-night radio talk shows, one of whose hosts reported many calls on the subject from clearly conservative listeners. The Washington Times, a Republican propaganda conduit, has put them on the front page all week. The mainstream media, until Mr Bush's intervention late on Wednesday, had treated them with some disdain because of lack of substantiation.

But the Bush-Quayle campaign had chipped in with a vengeance earlier on Wednesday. Ms Mary Matalin, its combative political director, issued a statement questioning Mr Clinton's "blithe dismissal that there is nothing odd about a noted anti-war activist visiting a country that was providing the weapons and know-how to kill American soldiers in Vietnam".

Mr Clinton's camp has drawn immediate comparisons with similar tactics used before the British election last April, a campaign closely studied by Republican strategists. Particular attention is drawn to articles in the London Sunday Times last February about visits, with implied dark motives, made by Mr Neil Kinnock, then leader of the opposition Labour party, to the Soviet embassy in London.

The Democratic candidate has conceded that he took part in anti-war protests in London, though he did not lead them, and that he did meet in Oslo the Rev Richard McSorley, a prominent anti-war activist from Georgetown University in Washington, where Mr Clinton was an undergraduate.

The Republicans think that there is more to be elicited and that Mr Clinton can be distracted from his main message on the parlous state of the US economy. However, all the assaults so far seem to have had minimal public impact, at least as registered by the polls.

Mr Ross Perot, the independent candidate, did seem to score something of a public hit with his half-hour, paid-for special on the economy, broadcast on Tuesday night. Overnight ratings showed it attracted 16m viewers and, perhaps helped by a big baseball game having preceded it, was the second most-watched show in its time slot.

See Feature

Democrat line on tax code criticised

By Nancy Dunne in Washington

TAX proposals by Governor Bill Clinton, Democratic presidential candidate, to keep US factories in the country would further complicate the US tax code and cause "a terrible misdiversion of tax energy", according to Dr Gary Clyde Hufbauer, author of a new study from the Institute of International Economics.

He proposes restructuring the US tax system for multinationals to encourage both exports and foreign investment in the US, and to reverse the bias against US production of high-technology goods. He also urges co-operation among the leading industrial countries in devising common rules on taxation of foreign earnings.

Taxation of foreign subsidiaries in the US is a presidential campaign issue. Mr Clinton has suggested \$45bn (£25.2bn) can be raised over four years by requiring foreign companies "to pay their fair share". Legislation put to Congress this year would require a minimum tax on foreign companies which underpay their US tax through transfer pricing.

The study concluded that the US could raise \$6bn a year through improved enforcement of transfer pricing and the use of a timely arbitration procedure to settle disputes. Implementation of all their reforms would yield \$12.3bn annually.

In taxing multinationals, they recommended:

- An end to taxing income earned by US companies from their foreign operations, while abolishing the foreign tax credit for earnings abroad.
- Increasing the Foreign Sales Corporation exemption from 15 per cent to 40 per cent.
- Ensuring that royalties and fees earned overseas by US companies are taxed solely by the US at normal corporate rates. (Technology income earned abroad is almost tax-exempt now, while technology income earned by the same companies in the US is normally taxed at 34 per cent.)

PRESIDENT Desmond Hoyte of Guyana (pictured above) has threatened a legal challenge to the results of the elections on Monday which his People's National Congress party lost to the People's Progressive party of Dr Cheddi Jagan, Canute James reports from Georgetown.

Dr Jagan, 74, a former Marxist who now advocates a market economy, is to be sworn in as president at the weekend. He has promised to name a cabinet representative of both the sometimes antagonistic ethnic groups in the country, those of Indian and African descent.

Mr Hoyte, although saying his party accepted the result for the time being, added that it did so "without prejudice" to its right to approach the courts for adjudication on "administrative and other irregularities during the elections".

However, foreign monitors called the poll free and fair. One of them, former US President Jimmy Carter, said the result should be accepted by all parties.

CBS to open up Black Rock

Alan Friedman reports on new tenants for a New York landmark

WOULD William Paley, the founder of CBS Television, turn in his grave?

That is the question being whispered around the elegant, black granite Manhattan headquarters of CBS, known affectionately as Black Rock. CBS, which has been cutting costs under the stewardship of Mr Laurence Tisch, the billionaire investor who controls the network, has decided to let a piece of the rock to outside tenants.

Black Rock, set back from Sixth Avenue and distinctive for its Canadian black granite exterior, is not merely the CBS headquarters. It is a New York architectural landmark and is known fondly as The House That Paley Built.

The 35-storey building, which began housing CBS staff in 1964, was designed by Eero Saarinen, the same architect who fathered both the Vivian Beaumont theatre at New York's Lincoln Center and the unusually shaped TWA terminal at Kennedy International Airport.

Still untouched is the wood-panelled suite once occupied by Mr Paley himself

In 1988, when CBS sold its records division to Sony of Japan, the lower floors of the building were taken over by what is now known as Sony Music. But Sony is moving its staff to another location and eight months ago Mr Tisch agreed to let up to 16 floors to the blue-chip Manhattan commercial real estate firm of Edward S. Gordon.

Mr Stephen Siegel, chief executive of Gordon, said yesterday that the architects hired to refurbish the lobby had strict instructions to do nothing that would alter Black Rock's character. He also noted with pride that six floors of Black Rock have already been let to Wachtell, Lipton, Rosen & Katz, one of New York's leading corporate law firms.

And there is interest from MasterCard, the credit card company. Still untouched, however, is the grand wood-panelled 35th-floor office suite that was once occupied by Mr Paley himself.

A CBS spokeswoman, asked whether Mr Paley would turn in his grave at the thought of outsiders coming into Black Rock, declined to answer, describing the inquiry as "tacky". But the more commercially minded Mr Siegel had no qualms responding: "I really don't think so. I honestly believe Paley would realise the prudence of this. The business has changed. CBS has less personnel and less need of space. I think this is a good business decision."

Ground crews' strike ends at USAir

THE strike by some 8,300 ground crew workers against USAir, the US airline in which British Airways wants to invest, ended yesterday morning after a "tenative contract agreement" between management and the International Association of Machinists, writes Nikki Tait in New York.

The IAM has indicated that it will recommend the accord to its members, said USAir, but ratification by the rank-and-file is required.

The strike began on Monday and caused USAir to cut daily jet departures by 40 per cent. The carrier said that normal schedules should be on again by Monday.

- The three largest US airlines yesterday claimed BA's warning that US disapproval for the USAir deal would have severe consequences for airline deregulation was "baseless".

Brazilian debt job

Mr Pedro Malan, Brazil's chief debt negotiator, has agreed to stay on under the new government of Acting President Itamar Franco, writes Christina Lamb in Rio de Janeiro.

This will come as a relief to foreign creditors worried that the political changes might affect the recently negotiated termsheet over Brazil's \$44bn commercial debt. The Senate is to vote in the next few weeks on whether to approve the text.

Argentine rates cap

Argentine economy minister Domingo Cavallo has announced a package to reduce business costs, writes John Barham in Buenos Aires.

Among the measures are a cap on interest rates of 27 per cent a year at state banks, a reduction in employers' social security contributions, and a further round of deregulation. Also, new tax rebates and incentives aim to encourage exports and imports of capital goods. Initial estimates put the cost of the package at the equivalent of more than \$1.3bn a year.

CONSERVATIVE CONFERENCE

Cool reception for Lamont speech

MR NORMAN Lamont's new framework for economic policy met with a mix of cautious approval, scepticism and outright hostility within the financial markets and industry.

There was some praise for the chancellor's effort to set out an explicit inflation target, but doubts were expressed as to whether it would stick.

There were also some worries about whether the fall in the exchange rate since sterling's devaluation would be enough to produce an economic recovery, without lower base rates in the near future.

The Confederation of British Industry said the chancellor's inflation target appeared "realistic and sensible" and it welcomed the recognition of the importance of the exchange rate in the conduct of monetary policy.

But it said the burden of controlling inflation had to be spread more evenly between public and private sectors, without endangering public investment programmes.

The Institute of Directors welcomed indications of tighter public expenditure controls and hoped confidence generated by the policy would allow further interest rate cuts.

But the Federation of Small Businesses said there was nothing in the speech to lift confidence. Mr Ian Handford, chairman of the federation's policy unit, said: "Concentration on lower and lower inflation, cutting public expenditure and lower taxation implies more of the same medicine, at whatever cost in terms of business failures and job losses."

In the City, Mr Gwyn Hacche, an economist at stockbrokers James Capel, said: "Much of what Mr Lamont had to say reflects old ideas which we saw in the 1980s, when they were not very successful."

Mr John Shepperd, an economist at S.G. Warburg Securities, the investment group, said he was worried by the idea of an inflation target, a lagging indicator. This could mean that by the time inflationary pressures had built up causing the target to be exceeded, it might be too late for the government to take action.

Parts of industry were more openly hostile. Mr David Holloway, president of the House Builders Federation, said the government was "sleep-walking to disaster" by pursuing inappropriate policies.

Mr Joe Dwyer, chief executive of Wimpey, the construction group, said the chancellor's failure to address Britain's economic problems was a "ferocious blow" to industry, which was dying while the economy stagnated.

Unions reacted angrily to the Chancellor's speech. Mr Norman Willis, TUC general secretary, called Mr Lamont a "do little" chancellor and urged him to restart the economy through the targeted expansion of public spending on housing, transport and inner cities.

Mr Gavin Laird, general secretary of the AEEU engineering and electrical union said: "It was a limp speech from a wilting government. We are waiting for an economic strategy to revitalise industry and it was not forthcoming."

Michael Cassell and Peter Marsh

Thatcher's last stand: the former leader acknowledges her ovation yesterday as Sir Norman Fowler, party chairman, looks on

The T-lady is wheeled in

WITH her Exocet already fired in the national press, Baroness Thatcher steamed in to the Tory conference yesterday to gauge the damage.

Her reconnaissance mission must have reached painful conclusions. For while her derisory attack on Mr John Major's policy in *The European* newspaper had clearly holed the Tory ship of state, but failed to sink it.

As she swept to the platform, those of her supporters capable of objective analysis must have detected subtle changes in her reception.

The standing ovation she received roughly matched the decibels of last year, but its duration was a paltry three minutes – a 60 per cent devaluation of the nine she recorded in Blackpool. The bulk of the platform remained seated.

It was clear too that the conference managers had learnt some tricks. Lady Thatcher arrived at the start of a lacklustre debate on the environment and was placed between the uncharismatic Leader of the Commons, Mr Tony Newton, and Lord Strathclyde: well below the salt.

Mr Major, meanwhile, was nowhere in sight. When the cries of "speech" started up, Sir Norman Fowler was swiftly at her side to record the ritual modest refusal.

Token resistance was manifest in the waving of the odd Union Jack, a scribbled banner labelled "Come Back" and another, more apposite perhaps, inscribed simply: "Help". But it was quickly over.

Pitting her personal following against the Tories' obsession with unity before ideology, Lady Thatcher was playing a high risk game. And while she has yet to pass her sell-by date, the reception she received showed that even the best-known brand names have a limited shelf-life.

The conference was keen to communicate its own message to the former leader. When Mr Michael Howard, the environment secretary, offered Mr Major a compliment – "If ever a man has earned our loyalty, he has" – the fervour of the applause was long and loud.

It was a doughty lady delegate from Cornwall who tapped the conference's soul when she warned to thunderous applause: "There are enough speculators and media commentators rocking the boat, we do not expect the elders of our own party to do so too."

Unchastened, she may have been. But Lady Thatcher, nonetheless, felt obliged to offer a token clap.

Ivo Dawnay

Chancellor moves to plug the policy gap

MR Norman Lamont's new monetary policy won few fans in Brighton yesterday. The Conservative conference gave the chancellor a brief standing ovation that was loyally correct and far from enthusiastic, while the City's immediate response was to mark sterling down by 2 pfennigs.

But the policy to fill the gaping hole in monetary discipline caused by Britain's withdrawal from the European exchange rate mechanism contains two potentially far-reaching innovations.

- For the first time a British government is setting an explicit inflation target: of between 1 per cent and 4 per cent for retail prices excluding mortgage interest payments. The government's ambition is that this measure of "underlying inflation" should be in the lower part of the range by the end of the current parliament in four-and-a-half years time.
- In a nation where policy-making is normally shrouded in the greatest secrecy, the chancellor has promised to make monetary policy more accountable. If inflation moves outside the targeted range, Mr Lamont has committed the government to giving a full explanation to parliament and the markets of what has gone wrong and how it plans to correct matters.

The Treasury and the Bank of England hope these elements will help the policy establish credibility. For in other aspects, the plans in Mr Lamont's party conference speech and in a letter to Mr John Watts, the chairman of the Commons Treasury and Civil Service Committee, are a re-run of the policy used by the Conservative government in the mid-1980s.

Then as now, policy was guided by a number of monetary indicators and tempered by Treasury judgment. This approach was abandoned by Mr Nigel Lawson in favour of shadowing the D-mark in 1987 and eventually replaced by sterling's ill-fated membership of the European exchange rate mechanism.

Bank of England governor defends tactics

A spirited defence of Britain's tactics in attempting to keep the pound within the European exchange rate mechanism was given last night by Mr Robin Leigh-Pemberton, governor of the Bank of England.

Speaking in Cambridgeshire, he said Britain did all it could to defend the pound by concerted Bank intervention on currency markets. Any decision to raise interest rates earlier than Black Wednesday on September 16 – when sterling was forced to leave the ERM – would have been regarded as "quixotic" given the depth of the UK recession.

Mr Leigh-Pemberton attacked the notion of penalising foreign exchange "speculators" in their role in selling sterling prior to and on Black Wednesday. He said such moves would be unfair and hinder the efficient operation of capital markets.

Mr Lamont promised yesterday that the government would look at monetary aggregates, asset prices – including house prices, and the exchange rate in determining when and by how much it should alter rates. This will be backed by "the tightest control of public spending" including a clamp-down on public sector pay.

But the chancellor's letter to Mr Watts stressed that there

The new framework contains two innovations, writes Peter Norman

will be no question of making monetary policy with an automatic pilot. Judgment will affect the very cornerstone of policy, for example. "The strength or weakness of the economy will affect the pace" at which the UK moves towards its long term inflation objective.

Similarly on the exchange rate, there will be no target range, nor any shadowing of another currency. On the other hand, the government will not let the exchange rate "go where it will". The government will seek to avoid overshooting and undershooting. "The test is whether we believe a movement in the exchange rate [as defined by the sterling exchange rate index] or a particular level of it, sustained for a period, is likely to jeopardise the inflation objective."

Mr Lamont is wary of the monetary indicators that will help underpin his policies. M0, the narrow measure of money supply which the government targets, is behaving itself and close to the centre of its 0 to 4 per cent target growth range. But his letter admits that the use of M0, which comprises mainly notes and coin in circulation, "is limited to providing a timely guide to current behaviour in the economy."

Past experience suggests it would be unwise to establish a formal target for M4, the broad money measure. Instead, the chancellor intends to announce "monitoring ranges" for M4 beyond which its movement would be "increasing cause for concern" in next month's Autumn Statement.

The Bank and Treasury will study various weighted broad money indices, such as the Divisia index, which has followers in the City. But Mr Lamont said it was too early to give these measures a formal place in the way monetary conditions are assessed. He will also monitor asset prices, particularly when house prices are falling or accelerating sharply.

Mr Lamont's guarded exposition of his new policy reflects a realisation among policy-makers that there is no magic formula for operating monetary policy.

NEWS: UK

Bankers refuse to subsidise Tube link

By Robert Peston and Alison Smith

CANARY Wharf's bankers yesterday refused to make a no-strings offer of cash to build the Jubilee Line extension, making it almost inevitable that the line to the office complex in London Docklands will not be built.

The bankers had already made a £390m offer conditional on government officials moving to Canary Wharf, the development in East London. But the government does not regard that as a proper offer, under the terms it laid down.

The government has said that the Jubilee Line would only go ahead if there is a £400m private sector contribution to its £1.8bn costs. But this contribution must not depend on any form of government support, such as rent from a government department.

If the Jubilee Line extension is scrapped, which is almost inevitable, the administrators of Canary Wharf will have enormous difficulty finding tenants for the £1.5bn development, bankers said.

"We will have to go back to the drawing board to decide what to do with the project", a banker said. One option, he said, was to mothball most of the 15 buildings for a number of years, until the property market recovers.

The bankers had hoped the Department of Environment would relocate its office to Canary Wharf. But a government adviser said yesterday that the Department was now likely to move its officials to empty government buildings in central London.

London Regional Transport is making a last ditch attempt to save the Jubilee Line. It commissioned a study from the consultancy London Economics on the net costs of the line to the government, taking account of indirect and direct tax revenues generated by the construction project and social security savings.

It estimates the net costs at £972m, even without a private sector contribution.

Fury in coal industry at pit closure plans

By David Lascelles, Resources Editor

MINERS' leaders last night expressed fury over British Coal's plans to announce a sweeping programme of pit closures and job cuts as early as next week to clear the way for privatisation of the state-owned company.

The National Union of Mineworkers (NUM) called on Mr Michael Heseltine, trade and industry secretary, to resign while the moderate Union of Democratic Mineworkers called for a national strike to defend the coal industry.

The government is determined to press ahead with restructuring of British Coal in spite of the more than 25,000 jobs which would be lost.

An announcement next week would pre-empt the reconvening of parliament on October 19.

Mr Heseltine refused to confirm the timing of the announcement, but told a television interviewer: "We are facing extremely difficult decisions."

According to documents leaked this month from the Department of Trade and Industry, British Coal intends to shut 30 pits.

The NUM was angry with reports that Mr Heseltine had said decisions were being forced on the government because of the coal industry's poor performance. Mr Frank Cave, the union's vice-president, said Mr Heseltine's comments were "quite simply untrue".

He added: "Either he is seeking deliberately to mislead the public or he is appallingly ignorant about the coal industry...he should resign."

The NUM said the closures would cost £2.1bn, a total of 50,000 jobs would be lost in in related industries and unemployment benefit and lost taxation would cost £600m a year.

Mr Neil Greaterex, Nottinghamshire president of the UDM, said: "What we need is a general strike. It is not just miners' jobs at stake here."

Mr John Cummings, MP for Easington where two of the threatened pits are located, claimed that the recent devaluation of sterling had made domestic coal more competitive with cheap imports. Imported coal had risen from £36 a tonne to £39, close to British Coal's £43 a tonne.

Although the restructuring of British Coal will add to the government's economic woes, Mr Heseltine takes the view that shrinking British Coal to a commercially viable size remains the overriding objective. British Coal relies on artificially priced coal sale contracts to maintain its present size.

Mr Tim Eggar, the energy minister, has also indicated that he will press ahead with a parliamentary bill to privatise British Coal even if a new set of contracts, currently under negotiation with the electricity generators, is not agreed soon.

The electricity industry is still haggling over the details of the new contracts. Industry sources indicated that another week or 10 days might be needed to conclude them.

Uncertain future: thousands of miners are facing redundancy ahead of privatisation amid plans to close 30 British Coal pits

Insurers close to deal on Maxwell

By Jimmy Burns and Andrew Jack

LONDON insurers are close to a settlement over a £20m policy on the life of the late Robert Maxwell in a bid to avoid a costly legal battle.

An out-of-court settlement is under discussion involving the insurers, Maxwell companies, and administrators who have failed to agree on the cause of Mr Maxwell's death off the Canaries on November 5 last year. The insurers, which include Lloyd's syndicates, would pay a figure believed to be in the region of £6m without accepting liability.

The policy was taken out on behalf of two companies in the private Maxwell business empire – Robert Maxwell Group and Headington Investments – and Mirror Group Newspapers and Maxwell Communication Corporation.

Under the terms of the policy, brokered by Willis Wrightson, the UK subsidiary of Willis Corroon, the full claim could be triggered only if Mr Maxwell died from accidental causes or murder. The policy is invalid if Mr Maxwell committed suicide, or if he lied about his health when applying for the policy.

In his policy application Mr Maxwell is believed to have stated that he had no health problems.

Mr Roger Rich, of loss adjusters Rich Wheeler & Company, who has acted on behalf of the insurers, remains convinced that the most likely cause of death was suicide.

Investigators acting for the beneficiaries have ruled out murder and a heart attack. They have concluded Mr Maxwell drowned after accidentally falling into the sea.

Mr Maxwell is known to have had part of one lung removed, and had been suffering for years from fluid and respiratory problems. Spanish pathologists concluded Mr Maxwell could have died from a heart attack in the water.

● Barclays Bank failed yesterday in a Court of Appeal bid to reverse a High Court ruling that it must face proceedings in the New York Bankruptcy Court over a disputed $30m it received from Maxwell Communication Corporation just before MCC went into administration.

Last July, a judge rejected an application by Barclays for injunctions to prevent MCC's administrators, Price Waterhouse, from bringing proceedings in the US courts for the return of the money.

EC warns against cuts in regeneration funds

GOVERNMENT economic regeneration programmes which benefit from EC aid should be protected from public expenditure cuts, Mr Bruce Millan, the EC Commissioner for the regions, said last night, John Willman writes.

In a lecture to the Audit Commission, Mr Millan warned that cuts in government spending on such projects could break the the "additionality" rule, part of the legislation governing the use of EC structural funds. This rule forbids the use of such funds in place of state expenditure.

In February, the government gave undertakings which allowed the release of EC regional fund money previously withheld because the Commission was not satisfied that the additionality criterion would be met.

Mr Millan, however, warned that the detailed implementation of the undertakings was not yet "fully clear". And he said that a strict application of the additionality rule would mean that any funding of joint projects by national governments should be "exempt from public expenditure cuts".

Mr Millan reiterated his commitment to a bigger role for the regions in Europe, particularly in promoting economic development. The Commission would develop its policy of dealing directly with regions in funding programmes.

Britain in brief

Regulator at Lloyd's appointed

Mr Brian Garraway, deputy chairman of BAT Industries, is to become the first chairman of a new regulatory board at Lloyd's of London, completing a round of senior appointments at the insurance market.

As head of the new body, Mr Garrway will be responsible for monitoring regulatory practice. He will work closely with Mr Peter Middleton, the chief executive and head of Lloyd's first market board, and Mr David Rowland, who is expected to take over as chairman of the market at the end of this year. Mr Middleton was appointed last month.

The market agreed to create the two new boards in the summer, acting on a report by Sir Jeremy Morse, outgoing chairman of Lloyd's, which recommended the separation of business development from regulation, and a reduction in the size of the council, the market's governing body.

French group in power venture

London Electricity has formed a joint venture with Total Gas Marketing, part of the French international oil group, to supply gas to London. London Total Gas will use British Gas's existing pipeline system to sell gas to commerce and industry in the London area. It also plans to sell gas to household customers when this becomes possible.

Fraudsters pose fire risk

Fires set by fraudsters are costing insurance companies over £100m a year – 10 per cent of the total payout in 1991 – according to the Arson Prevention Bureau. The APB, a lobby group backed by the insurance industry and the government, said arson accounted for about £500m of the £1.02bn paid out by insurance companies in fire claims last year.

Lord Moore to head trust

Lord Moore of Lower Marsh, the former Cabinet minister, will be appointed within two weeks as first chairman of the new Energy Saving Trust, one of the main planks in the government's environmental policy. His appointment ends a long hunt by the Department of the Environment for a suitable candidate. The DoE has been criticised for the slow progress in setting up the Trust, which featured prominently in the government's statement at the Earth Summit in Rio in June.

Bias move at Law Society

The Law Society, the umbrella organisation of UK solicitors, is proposing to amend its rule book to make sexual and racial discrimination by solicitors a disciplinary offence.

The new rule will add to existing equal opportunity principles in the profession's code of practice by requiring principals (partners in law firms and heads of company legal departments) to adopt and operate an anti-discrimination policy.

Shipyard wins ferry deal

Ferguson Shipbuilders, at Port Glasgow on the Lower Clyde, has won a £16m contract to build two 500 tonne ferries to operate between Southampton and the Isle of Wight. The contract, with Red Funnel Ferries of Southampton, secures the future of the shipyard until early 1995.

Port traffic

Freight traffic through UK ports rose by 3 per cent to a record 495m tonnes in 1991, the Department of Transport said. London carried the highest tonnage, followed by Tees & Hartlepool and Grimsby.

LEGAL NOTICES

Notice of appointment of Joint Liquidators
EPIC FUNDING LIMITED
Nature of business: Finance and Investment
Address of registered office: Becket House, 1 Lambeth Palace Road, London SE1 7EU. Joint Liquidators names and address: David John Pallen and Margaret Elizabeth Mills. Ernst & Young, Becket House, 1 Lambeth Palace Road, London SE1 7EU.
Date of appointment: 17 September 1992
By whom appointed: Members and Creditors
Notice to Creditors
EPIC FUNDING LIMITED
(In Liquidation)
The creditors of the above-named company are requested, on or before 1 December 1992 to send their names, addresses and particulars of their claims to the undersigned, the Joint Liquidators of the company, at Ernst & Young, Becket House, 1 Lambeth Palace Road, London SE1 7EU.
Date 1 October 1992
DJ PALLEN
JOINT LIQUIDATOR

NOTICE OF CREDITORS TO SUBMIT CLAIM
IN THE MATTER OF
TRICORN NOMINEES LIMITED
AND IN THE MATTER OF
THE INSOLVENCY ACT 1986
On 29th September 1992 the company was placed into members' voluntary liquidation and Jacqueline B Stephenson of Latham Crossley & Davis, 7 Kenrick Place, London W1H 3FF, was appointed liquidator by the shareholders.
The liquidator gives notice pursuant to Rule 4.182A of the Insolvency Rules 1986 that the creditors of the company must send details, in writing, of any claim against the company to the liquidator, at the above address by 13th November 1992 which is the last day for proving claims. The liquidator also gives notice that she will then make a final distribution to creditors and that a creditor who does not make a claim by the date mentioned will not be included in the distribution.
The company is able to pay all its known creditors in full.
Dated 5th October 1992
Jacqueline B Stephenson, Liquidator

NOTICE OF CREDITORS TO SUBMIT CLAIM
IN THE MATTER OF
ETON AVENUE FINANCE LIMITED
AND IN THE MATTER OF
THE INSOLVENCY ACT 1986
On 2nd October 1992 the company was placed into members' voluntary liquidation and Jacqueline B Stephenson of Latham Crossley & Davis, 7 Kenrick Place, London W1H 3FF, was appointed liquidator by the shareholders.
The liquidator gives notice pursuant to Rule 4.182A of the Insolvency Rules 1986 that the creditors of the company must send details, in writing, of any claim against the company to the liquidator, at the above address by 13th November 1992 which is the last day for proving claims. The liquidator also gives notice that she will then make a final distribution to creditors and that a creditor who does not make a claim by the date mentioned will not be included in the distribution.
The company is able to pay all its known creditors in full.
Dated 5th October 1992
Jacqueline B Stephenson, Liquidator

NOTICE OF CREDITORS TO SUBMIT CLAIM
IN THE MATTER OF
CHANCERY LAND SECURITIES LIMITED
AND IN THE MATTER OF
THE INSOLVENCY ACT 1986
On 2nd October 1992 the company was placed into members' voluntary liquidation and Jacqueline B Stephenson of Latham Crossley & Davis, 7 Kenrick Place, London W1H 3FF, was appointed liquidator by the shareholders.
The liquidator gives notice pursuant to Rule 4.182A of the Insolvency Rules 1986 that the creditors of the company must send details, in writing, of any claim against the company to the liquidator, at the above address by 13th November 1992 which is the last day for proving claims. The liquidator also gives notice that she will then make a final distribution to creditors and that a creditor who does not make a claim by the date mentioned will not be included in the distribution.
The company is able to pay all its known creditors in full.
Dated 5th October 1992
Jacqueline B Stephenson, Liquidator

NOTICE OF CREDITORS TO SUBMIT CLAIM
IN THE MATTER OF
CHANCERY TRUSTEES LIMITED
AND IN THE MATTER OF
THE INSOLVENCY ACT 1986
On 28th September 1992 the company was placed into members' voluntary liquidation and Jacqueline B Stephenson of Latham Crossley & Davis, 7 Kenrick Place, London W1H 3FF, was appointed liquidator by the shareholders.
The liquidator gives notice pursuant to Rule 4.182A of the Insolvency Rules 1986 that the creditors of the company must send details, in writing, of any claim against the company to the liquidator, at the above address by 13th November 1992 which is the last day for proving claims. The liquidator also gives notice that she will then make a final distribution to creditors and that a creditor who does not make a claim by the date mentioned will not be included in the distribution.
The company is able to pay all its known creditors in full.
Dated 5th October 1992
Jacqueline B Stephenson, Liquidator

NOTICE OF CREDITORS TO SUBMIT CLAIM
IN THE MATTER OF
CHANCERY TRADE FINANCE LIMITED
AND IN THE MATTER OF
THE INSOLVENCY ACT 1986
On 2nd October 1992 the company was placed into members' voluntary liquidation and Jacqueline B Stephenson of Latham Crossley & Davis, 7 Kenrick Place, London W1H 3FF, was appointed liquidator by the shareholders.
The liquidator gives notice pursuant to Rule 4.182A of the Insolvency Rules 1986 that the creditors of the company must send details, in writing, of any claim against the company to the liquidator, at the above address by 13th November 1992 which is the last day for proving claims. The liquidator also gives notice that she will then make a final distribution to creditors and that a creditor who does not make a claim by the date mentioned will not be included in the distribution.
The company is able to pay all its known creditors in full.
Dated 5th October 1992
Jacqueline B Stephenson, Liquidator

NOTICE OF CREDITORS TO SUBMIT CLAIM
IN THE MATTER OF
CHANCERY CREDIT CORPORATION LIMITED
AND IN THE MATTER OF
THE INSOLVENCY ACT 1986
On 2nd October 1992 the company was placed into members' voluntary liquidation and Jacqueline B Stephenson of Latham Crossley & Davis, 7 Kenrick Place, London W1H 3FF, was appointed liquidator by the shareholders.
The liquidator gives notice pursuant to Rule 4.182A of the Insolvency Rules 1986 that the creditors of the company must send details, in writing, of any claim against the company to the liquidator, at the above address by 13th November 1992 which is the last day for proving claims. The liquidator also gives notice that she will then make a final distribution to creditors and that a creditor who does not make a claim by the date mentioned will not be included in the distribution.
The company is able to pay all its known creditors in full.
Dated 2nd October 1992
Jacqueline B Stephenson, Liquidator

Sterling's devaluation provides UK manufacturers with a golden opportunity, argues Christopher Lorenz

High time to turn round R&D

In the tidal wave of commentary about the state of British manufacturing industry following sterling's devaluation, one issue has gone virtually unmentioned: the sudden scope which now exists for increased profits to be used on the development of new and improved products, and also – though less immediately vital – on research.

A sharp surge in the rate of product innovation has not only been made possible by devaluation; it is desperately needed if Britain is ever to have any hope of closing its yawning trade gap. It will prove a vital competitive weapon even if the recession continues for another five years.

As every commentator has recognised, sterling's devaluation will bring a number of short-term benefits to British exporters, including increased profits.

The stock market's delirious initial reaction to devaluation three weeks ago was powered heavily by the expectation that profit rises would be used to boost dividends – as well as by the hope of further share price gains to come.

Beyond that, most economists and other commentators have argued merely that higher profits will enable hard-pressed companies to cut their debt and strengthen their balance sheets.

There has been some talk of higher investment, but always with the apparent implication that this will be in the form either of acquisitions – like Hanson's bid this week for Ranks Hovis McDougall – or of spending on plant and equipment. The latter is an unlikely option for many companies so long as they can see no end to their current overcapacity.

Which is why a surge in the rate of relatively short-run development ("D") – as distinct from riskier, longer-term research ("R") – is now not only possible, but doubly necessary. Pitched carefully, a modest investment in the right sort of product and process improvement can bring a positive return in just two or three years.

Failure to make that investment can consign one's existing product to near-oblivion.

Back in the slump years of the 1930s, this lesson was learned to great effect by a few manufacturers, especially in America – which was partly why the industrial design profession had its first real flowering there at that time.

Wise manufacturers try to work this trick with everything – including expensive items such as cars. In a desperate attempt to recapture lost sales and profits, Ford of Europe is now in the process of launching an improved version of its lacklustre Escort model only two years after its initial launch; it has been "re-skinned", and otherwise improved, by its industrial designers and engineers.

As the UK food and computer software industries have shown over the past few years, an increased rate of such "incremental innovation", to use the technical term, can do wonders for one's market share.

In grossly saturated markets such as segments of consumer electronics, the revamp of a product's exterior, or also of its performance, may fail to work its magic. But such cases are the exception.

The readiness of German, and especially Japanese, industry to undertake a steady flow of incremental product and process improvements, as opposed to less frequent and much riskier big leaps forward, is one of the reasons for those countries' industrial success in the past 20 years against the more breakthrough-minded US and UK.

In the sort of consumer and industrial products at which they excel, the Germans may not introduce improvements as often as the Japanese do in their own areas of strength. But the Germans certainly beat the British. So, these days, do many American companies, which are borrowing Japan's incremental tactics for all they are worth.

A lot of this incremental expenditure falls outside OECD and other official definitions of research and development. So Britain's poor performance in incremental development adds an extra layer of concern to its awful standing versus its main industrial competitors in the sort of expenditure comparisons shown in the illustration.

Sceptical economists will argue that this article represents the ravings of a technology freak, and adherence to the obvious fallacy that a nation's economic strength varies in direct proportion to its expenditure on development and research. On both counts, such criticism of the foregoing is misplaced.

Likewise, to advocate a surge in spending on D, and possibly also on R, does not in any way imply disagreement with critics who argue that improving the management and productivity of both development and research, on even the most worthwhile of projects, is more important than simply increasing the spend.

Quality does count more than quantity, in other words. In economic jargon, raising the outputs of development and research must be more of a priority than raising the inputs to them.

Yet this does not mean that greater inputs are not also required, as an economic consultant, David Sawers, suggested in the FT last month (Personal View, Sept 2). Better output and greater input are both needed if British companies, and the nation as a whole, are to improve their real competitive performance.

Recent US academic and consultancy research has shown that large Japanese companies are managing their design, development and engineering processes much more efficiently than either their US or their European counterparts. In America, companies are now moving fast, through various changes in management processes, to close that productivity gap.

Yet, in spite of a sharp slide in corporate profitability in 1991, many of the same companies are also spending more on both D and R.

Given the intense financial pressures which they feel from Wall Street these days, few if any of them can be doing so out of blind faith. Rather, they have learned from experience that market-driven incremental development is a vital factor in commercial success – as, in many cases, is research.

If anyone really doubts this, they need only ask resilient US companies such as Hewlett-Packard, Xerox and 3M, or the more mundane massed ranks of Germany's world-beating engineering enterprises. Or, of course, Japan's ultra-competitive car industry.

Alternatively, much closer to the home of some of the most unworldly economists around, doubters could talk to Glaxo, ICL or even mundane old Turner & Newall (T&N). In their very different industries, all three are heavily dependent on D, R, or both.

International comparison of R&D spending by top 100 spenders

R&D % of sales

	All industries	Motor	Chemical	Consumer products Excluding food	Electrical & electronics
UK	1.69	2.77	3.56	0.53	4.25
US	3.60	3.60	4.50	1.60	5.60
Germany	5.09	4.73	5.79	4.37	6.09
Japan	3.71	4.12	3.88	8.59	5.78

R&D % of sales

	Aerospace	Leisure	Manufacturing including mechanical engineering	Metals & mining	Telecommunications
UK	3.34	0.36	0.79	0.57	1.85
US	4.20	6.80	4.10	1.70	5.50
Germany	23.78		3.67	1.81	-
Japan	-	3.62	3.23	0.73	4.34

Where no German or Japanese entry is shown, this is because no single company from that country had an R&D spend large enough for it to be included in the national all-industry list of top 100 R&D spenders.

Source: Company Reporting.

The figures above are taken from the government-backed 1991 *"UK R&D Scoreboard"*, produced by Company Reporting. The 1992 statistics do not include a table of each country's Top 100 all-industry spenders, or sector breakdowns, except for the UK.

The figures should not be read as precise to the decimal point, because of differences in definitions between countries, and even between companies in the same country. But the US and UK figures are based closely on the rather narrow OECD definition of "R&D", as are those for leading German companies. For the most part, the US and UK figures *exclude* government-funded research and development.

Two things, above all, emerge from the statistics. First, the total UK outlay on research and development is relatively low in every sector, even those few where Britain is, or has been, supposedly strong, such as chemicals and aerospace.

This relates to the second point: that, even in sectors where the UK's leading companies are just as R&D-intensive as their global rivals – such as ICI in chemicals – R&D intensity tails off behind them.

Out to lunch but only when the in-tray is empty

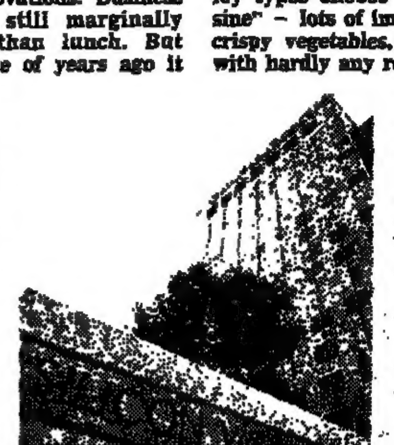
Louise Kehoe concludes the series on power entertaining

SILICON VALLEY

In Silicon Valley the first question is: "Do you do lunch?" Note that there is no mention of eating. Doing lunch means meeting people in a restaurant at or before the noon hour. Food plays a secondary role.

The most common response is negative. "I try to avoid it," says Mathew Schmitt, a public relations specialist. "It is just not very productive in my experience." His view is widely shared among "the Valley's" high-tech types. If you accept the premise that California is a trend setter, the business lunch is on the way out.

So too, it appears, is the "power breakfast", one of the region's most unfortunate innovations. Business breakfasts are still marginally more popular than lunch. But whereas a couple of years ago it was common to receive invitations to meet at 7.30am over bran muffins and coffee, today most high-tech types prefer to head straight for the office and conduct a conversation by phone.



The prevailing view is that if you have time to go out to lunch, you probably are not working hard enough, or you don't have enough important work to do.

Many simply regard "off-site" lunches as an interruption, to be tolerated only when it is expected of them by important foreign, or East Coast, visitors.

Yet throughout Silicon Valley, "working lunches" are the norm, whether for members of a company team or as an opportunity to talk business with potential partners.

These meals are usually catered and range from the casual "box lunch" – a sandwich, fruit salad and a cookie – to a more substantial buffet meal with perhaps chicken and wild rice, fruit salad, always cookies, and soda or coffee.

Senior managers, especially, prefer to "eat in", but visitors should not expect a plush executive dining room. Your host may even skip the food in his enthusiasm for describing the latest technological wizardry and fingering the flip charts.

Intel executives like to show off the company's new headquarters cafeteria, open from 6.30 to 8.30 for breakfast and again at lunch time. At Sun Microsystems you can expect a can of Diet Coke (no glass) and a salad served at the executive's desk. Hewlett-Packard provides a nice spread of "make-your-own sandwich" ingredients.

When they do venture beyond their office buildings, Silicon Valley types choose "California cuisine" – lots of imaginative salads, crispy vegetables, chicken or fish with hardly any red meat in sight. Everything, it seems, is served with sun-dried tomatoes.

One such eatery that is a favourite with Apple Computer employees is "Sport City" in Cupertino, where the staples are salad with iced tea or lemonade. After work they may return for a glass of chardonnay, but heavy drinking is definitely not fashionable.

You have not really "arrived" in Silicon Valley, however, until you have partaken of the offerings of a "roach coach", one of the silver-sided vans that make daily tours of office parks selling suspect burritos, heart-clogging hot dogs and slightly stale sandwiches to hungry inmates. This is where you will find the founders of fledgling Silicon Valley start-up ventures. The challenge is to figure out which ones among them will eventually be building company canteens.

A dialogue of the deaf

Matthew Oakeshott on the case for reforming commercial leases

Some of Britain's biggest retailers met last week to demand changes in the way they rent commercial property from long-term investors – pension funds, insurance and property companies.

The retailers dislike the traditional institutional lease, under which tenants contract to pay rent for 25 years with upward-only rent reviews every five years, and keep the property fully repaired and insured. They argue that the English lease structure is inflexible and unfair, rents increase in an arbitrary way, and if they pass on ('assign') leases on property which no longer suits them, they are liable for rent and repairs if subsequent tenants default (the principle of privity of contract).

Weary and fearful investors, suffering the worst property crash since the 1930s, say they have heard all this before – there is always a crescendo of tenants' screams in the depths of recession.

Certainly there was little sign of retailers wanting to reform the system four years ago when it was working in their favour. Many were eager to take more space, or pocket a fat premium from selling a lease on a shop where the rent bill lagged behind the market because of the traditional review system. Most also wanted arbitrators to settle disputed rent reviews, not independent experts who can take a wider view of current market conditions. Property is a cyclical business – it always has been, it always will be, and with any conceivable legal and institutional framework the balance of advantage between landlord and tenant will still vary over the cycle.

Long-term investors need a secure income stream to meet their liabilities. A traditional long institutional lease to a blue-chip tenant produces ideal top quality income.

Letting or re-letting empty property is a sideshow compared to the long-term investment performance of the more than 90 per cent of institutions' property assets which are safely let and which generate income. Just because tenants can negotiate soft leases in soft markets such as London offices, they should not expect long-term investors to concede sea-changes in the lease structure; such concessions would devalue the bulk of their portfolios and eliminate property as a competitor to equities and gilts for investment funds. Unless they are offered something in return, long-term investors are as likely to abandon the institutional lease as climbers on the North Face of the Eiger to let go of the rope. They would be failing in their duty to their pensioners and policyholders.

At present the operation of the market seems unfair to tenants during their lease but equally unfair to investors when the lease ends. Under the 1954 Landlord and Tenant Act, the tenant has the investor up against a wall, with a one-way option in his favour to renew his lease for up to 14 years at a rent and with lease conditions fixed by a court. And it is tough under current English law to ensure that departing tenants leave property in good repair.

Long-term property investors are unlikely to abandon the institutional lease

The argument between tenants and investors looks like a dialogue of the deaf. But there is a simple solution to the strains in the system. It would help both sides now and keep a better balance over the whole economic cycle, as well as cutting legal costs and delays.

In Scotland and Northern Ireland, the basic contract for the occupation of commercial property operates in a much fairer way than in England and Wales, both during and at the end of a lease. Many important investors and tenants have operated happily under the Scottish and northern Irish systems for many years. Why not bring England and Wales into line? There are two main differences between commercial property leases in the north and south of the UK:

- Privity of contract. Tenants in Scotland and Northern Ireland are off the hook once their leases have been assigned but the investor's position is protected because leases can usually be assigned only to a tenant of equal status. If an undoubted name such as Marks and Spencer wants to move out, prudent investors will ensure that the lease is not assigned but the shop is sub-let to, say, Lowndes Queensway, or a Mrs Snooks (who may be a respectable trader but would not be "of equivalent financial standing, demonstrably capable of fulfilling all the tenant's obligations throughout the period of the lease", as a Scottish institutional lease may put it).

But if Mrs Snooks in Scotland or Ulster takes a lease on a small shop, and assigns it to a Mr McHattie, she cannot be pursued for Mr McHattie's rent or repairs years after she has retired, for example (and the present English law can produce horrific cases). The blue chip tenant, by sub-letting rather than assigning, can also keep a firmer grip than in England on his liabilities arising from rent reviews and alterations, and has the right to take back and re-let or reoccupy the property if the sub-tenant defaults on rents or repairs.

- Lease terms in Scotland mean what they say about repairs and lease length – tenants of office and industrial property in Scotland have no right to renew their lease, and shop tenants' rights are negligible. A 10 or 25-year lease means just that, not a perpetual right to occupy for the tenant.

Obviously tenants in England and Wales see no advantage under the present system in signing a long lease since they may enjoy a series of free five-year statutory options to renew in their favour. If the Scottish system applied to England, tenants would have to strike a balance in their lease renewal negotiations between their wish for flexibility and security. Many UK national retailers are still freely taking new leases and renewing leases for 20 or 25 years in Scotland, not just because the market is healthier in Scotland than in London, but also because long leases often make commercial sense for both landlord and tenant under the balanced Scottish system of lease renewals.

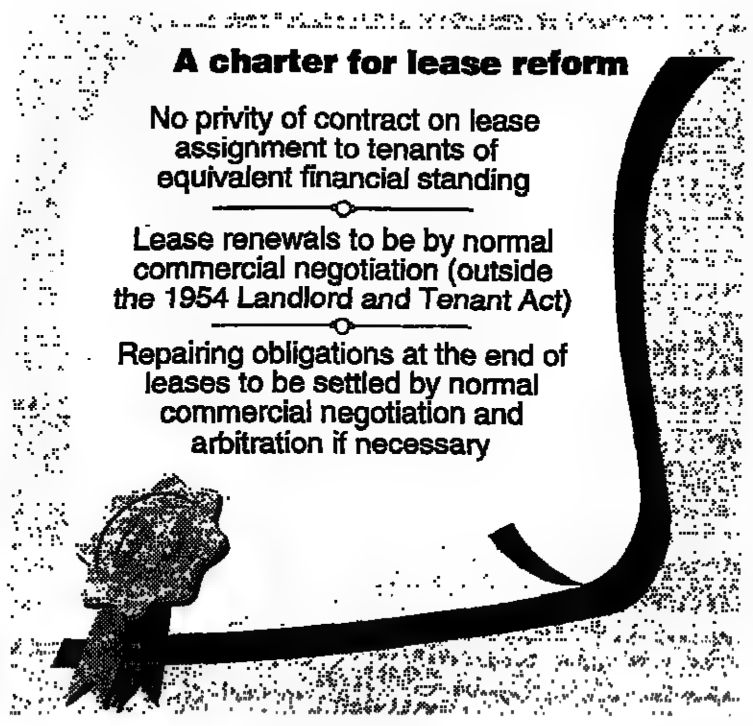
There is no need, anywhere in the UK, for courts to be involved, with all the expense and delay entailed either in fixing new lease terms or in settling dilapidations claims at the end of leases. In Scotland, if the landlord gets his property back at the end of the lease, he repairs it straightaway and the tenant pays. In England and Wales the process is cumbersome, costly and slow with some big retailers rivalling Houdini in their technique for wriggling out of repair commitments. Property often stands empty for years while cases drag through the courts.

A shift to the Scottish system would not need immediate legislation in England and Wales. Investors and tenants should now agree a three-point commercial property charter for new leases (see chart).

Such a charter would give something to both sides. It would make investment and occupation simpler and cheaper, and it would protect small traders without undermining institutional investors' long-term security of income. It would also reduce the swings in advantage between landlord and tenant over the economic cycle which are inevitable in the present English system, and end the Catch-22 of landlords and tenants never wanting the system changed at the same time.

If this voluntary charter works well in practice, the law should then be changed to abolish privity of contract and the 1954 Act for all new leases. It would, of course, be wrong to break existing lease contracts by retrospective legislation abolishing privity of contract or a tenant's rights to renew leases.

The author is director of OLIM Limited and Value and Income Trust



RENTAL GROWTH (%)

	Retail	Office	Industrial	All Properties
Year to Aug 92	-1.8	-14.2	-8.1	-7.5
Quarter to Aug 92	-0.7	-4.2	-2.3	-2.3
Month of Aug 92	-0.3	-1.6	-0.6	-0.8

Source: Investment Property Databank

Worth Watching - Andrew Baxter

Ultra-violet light shines on bacteria

Well-proven ultra-violet technology is being put to a new use by a UK company in a range of water disinfection systems which kill more than 99.9 per cent of micro-organisms *without* using chemicals.

The system, developed by Dorking-based Ultraviolet Technology, generates UV light at 254 nanometres to provide the optimum "kill rate", and is designed so that unabsorbed *UV* light bounces back into the water to ensure maximum disinfection.

The system is unique in using Teflon tubes which offer a number of advantages over quartz equivalents that are brittle and prone to fouling. *Disinfection* takes from three to five seconds, compared with 20-25 minutes for chlorine. According to the company, the savings on chemical purchases can cover the installation cost within one to two years. *Ultraviolet* Technology: UK, 0306 712636.

Three-dimensional photos snapped up

Artists through the ages have experimented with various ways of representing depth in space. At the recent Photokina exhibition in Cologne Kodak unveiled its own attempt to tackle three-dimensional representation, writes Michiyo Nakamoto.

Kodak's depth-imaging technology uses track-mounted 35mm cameras with electronic *shutters to capture images from* several perspectives. Up to 24 exposures on conventional film can be used to fashion one three-dimensional image.

The film is processed normally and then scanned digitally. The *information is rearranged pixel* by pixel into a single image, and *then transferred to a Kodak light* valve technology film recorder.

A transparent optical material called a lenticular screen is placed over the picture *to "focus"* the image. The result is a *three-dimensional* picture that gives the illusion of depth without needing special glasses.

Kodak believes there are potential applications in *professional and commercial* photography such as for point-of-sale and cinema displays. Kodak: UK, 0442 61122.

Now hear this! *Now hear this!*

Evelyn Waugh was famed for rather ostentatiously putting his ear trumpet down when he did not want to listen. Now Siemens has introduced a tiny in-the-ear *hearing device that* allows users to tune in to what they want to hear and not what they do not.

The Insita Plus overcomes a problem for the hard of hearing. Hearing loss is entirely *individual* and technology has not been able *to compensate for the many* different external conditions.

The solution is the first three-channel, four-programme hearing product that can be instantly adjusted to differing requirements, such as a conversation in a busy street or separating the chatter from the clatter at a restaurant. Siemens Hearing Instruments: UK, 0296 27446.

Satellite signal adjusts to sea life

Watching live satellite TV at sea is normally an expensive affair, requiring a gyrocompass to detect the movement of the ship and adjust the satellite dish to keep it still. For vessel operators, the *alternative normally involves* supplying video tapes to the vessel every time it berths.

Now Norwich-based Applied Satellite Technology has come up with a system which does not require a gyrocompass. The *Marine SAT TV 900* uses a patented active antenna to lock *on to signals from the Astra* satellite, which covers the seas round Europe.

The system, which costs £9,250, works by continuously sensing the signal's strength and instantaneously compensating *directionally, so the receiving* dish stays still as the vessel *moves.* Applied Satellite Technology: UK, 0603 427434

Emiko Terazono finds that Japanese children want electronic office goodies for Christmas

Farewell to the Teddy bear

With less than three months left until Christmas, Japanese toy companies are preparing to stock the country's toy shops with high-tech goodies, rather than the traditional Teddy bear or wooden bricks.

While many manufacturers have *returned to making simpler products* as the current recession has forced consumers to go back to basics, toy makers are defying the trend and presenting children with expensive high-technology electronic products.

Recent surveys have indicated that electronic toys are in strong demand among Japanese children. Toy makers have also discovered that high-tech gadgets bring in fatter profits than conventional toys.

When Takara, the leading toy *maker, introduced its* word processor for children two years ago, the demand was so high that the company created new sophisticated versions during the following years. "Children want the same things as adults," says Tomoko Matsue of Takara. *My First Sony*, a line of kid's audio equipment from the big electronics manufacturer, was created in 1987 on a similar concept.

Japanese toy makers are feeling the impact of demographic changes, as the decline in the number of children per household squeezes sales. But the trend has also made Japanese parents willing to spend more on a child. Toy makers have *responded by introducing "higher* value added" toys to their ranges.

The industry rule that high-priced toys will not sell was proved wrong by brisk sales of Takara's Y39,800 (£185) word processor, co-developed with Sharp, the office automation maker. The most recent version, launched this year, costs Y55,000 (£260), but is seeing strong demand.

Takara expects to sell 40,000 units this year. The word processor has *many of the same functions as the* kind sold to adults, but includes a simpler instruction manual and illustrated keys.

Takara has targeted the mid-primary school age group. "The children, especially girls, use the word processor to write letters and make greeting cards," says Matsue. Some adults, who find the sophisticated models from leading electronics makers too complicated, are *also* using the children's version.

Other electronic gadgets for children offered by Takara in its "Kid's Electronics" range include the electronic diary and cordless phone. Other than the usual address and *schedule modes, the electronic* diary has a fortune-telling function, a recent hit with children.

The cordless phone has a time-limit function which prevents long conversations by children, and a function which limits the telephone numbers *the phone can dial.*

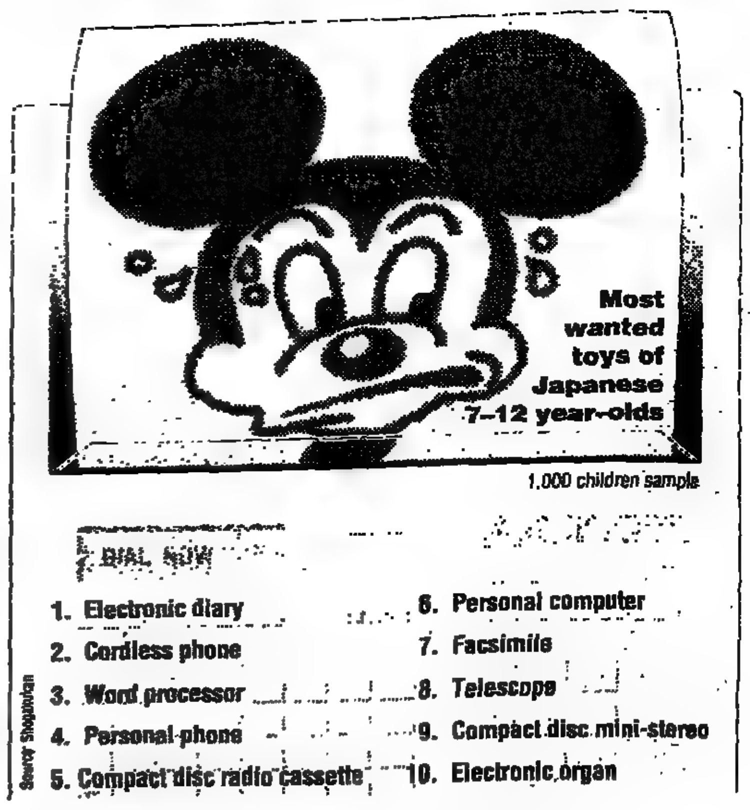
Takara's success has prompted other toy makers to follow suit. Bandai, the largest toy maker, and Sega, the video game company, have also entered the scramble in the high-tech toy market.

Sega will next month launch its word processor, targeting children at the pre-school level as an "introductory" model. "Children demand the *same* functions as the real thing, but simpler operating modes," says Sega.

Sega's word processor "Kan-Tan" – meaning easy in Japanese – is cheaper than the other makers. At Y15,800, it consists of a small, light keyboard where the functions can be changed by spreading different letter sheets on to the keyboard.

The computer games have helped children grow accustomed to knobs and function keys. "Children are more adaptable to high-technology products," says Sega. As the Japanese government intends to introduce computer science as a compulsory course in junior high-schools, an increasing number of parents are keen to see their children learn to use computers.

Sega says it is developing a new range of high-tech *toys to be* launched within the next few years. Although toy makers are the *main* manufacturers of children's high-technology products, the market holds great potential for the leading electronics makers as well. "In a few years, we will probably meet high competition from the large *consumer electronics companies,"* says Sega.



Virtual reality takes its seat in class

Andrew Baxter looks at a new approach to teaching children with learning disabilities

Discworld, as fans of comic-fantasy novelist Terry Pratchett will know, is a disc-shaped world carried through the Multiverse by four immense elephants riding on the back of the ponderous galactic turtle Great A'Tuin.

Closer to home, more down-to-earth worlds are being created at the Shepherd School in Nottingham, the largest in Britain for children with severe learning difficulties – with a serious educational aim in view. Over the past year, the school has been exploring the *educational and training benefits of* Desktop Virtual Reality.

A sophisticated virtual reality system, with a display that changes up to 10 times a second, allows the user to experience the illusion of being within the alternative environment on the screen.

Users normally "immerse" themselves in virtual reality for enter*tainment – by putting on a headset* with a small LCD screen in front of each eye. Desktop VR is the next generation, using the same VR software but on a desktop computer.

This week, the school, along with Nottingham University's Virtual Reality Applied Research Team, and Aldermaston-based Dimension *International which supplied the* software and hardware, unveiled *findings from a small pilot project* involving 12-20 students.

Virart, established last year, had been looking for a way to test the benefits of virtual reality in education. The project's first stage has involved creating virtual worlds which incorporate the well-established Makaton symbol and sign system used by the school to help children master the basic 500-600 words of vocabulary.

For example, says David Brown, a member of the Virart team, the screen could create a three-dimensional car which the child could "get in" and drive around in, *but the two-dimensional Makaton* icon would be constantly in view.

The aim is to help the child learn the symbol, and thus to communicate, giving the child at least some control over its environment. Fully-interactive environments displaying images of the words along with the appropriate symbol or sign ought to have more impact than static pages of information.

The results so far have been impressive, says head teacher David Stewart. "We have children here for 16 years from the age of three to 19. Our main concern is to look for every way to help the children, so Desktop VR is an important tool in our armoury." And even if the sys*tem cannot always aid the learning* process, the three-dimensional world is as near to the real world as some children get, he says.

So far, 20 symbols have been incorporated into virtual worlds, but it will take three years, and more funding, to convert the whole Makaton library, says Brown.

Further developments of the pro*gramme at Shepherd School will* include the introduction of sound and more detailed worlds, while the more able children can create their own virtual worlds.

Other applications in education are possible, says Brown. History could be presented in a different way using Desktop VR, and as the medium is *interactive, the student* could change the course of past events and watch what happens.

PEOPLE

Doctors' champion moves to the BBC

Pamela Taylor, the BBC's new director of corporate affairs, was not one of the widely tipped favourites for the job. There had been rumours that Liz Forgan, number two in the Channel Four hierarchy, or Edward Bickham, Douglas Hurd's special adviser at the Foreign Office, would take over from Howell James who is off to join his old mentor, Lord Young at Cable & Wireless.

As the BBC limbers up for protracted negotiations with the government over renewal of its Royal Charter in 1996 it was widely thought that someone with Bickham's calibre of political contacts was just what was required to follow in Howell James' footsteps. *Before joining the BBC*, James had been with Capital Radio, TV-am and worked with Lord Young in government. Bickham was a former director of communications at the late British Satellite Broadcasting.

However, the BBC has recruited a skilled public relations professional in the 43-year-old Taylor. She did not go to university and started at the bottom of an advertising agency. After a spell with *BUPA*, the private health care group, she joined the British Medical Association press office in 1977.

She arrived at the BMA at a low point in its fortunes. It was widely regarded as a trade union whose *prime purpose* was to protect the interests of well-paid doctors, rather than a professional body serving consumers. Its nick-name at the time was the *British Money Association.*

Taylor set up the BMA's parliamentary lobbying effort in 1980 and took over as head of public affairs in 1985. During her time at the BMA there has been a considerable improvement in the public perception *of the organisation and it has* become a much more effective parliamentary lobbying group.

She will probably be best remembered for the BMA's high-profile advertising campaign against the government's plans for the national health service.

However, she herself is more proud of the parliamentary lobbying work the BMA has done in areas such as seat-belt legislation, curbs on tobacco adver*tising and drinking and driving.*

Bodies politic

■ The ITV companies have chosen Gus Macdonald, managing director of Scottish Television, to be the first chairman of their new Broadcasting Board.

The board, which will meet monthly, is designed to ensure that the companies get value for month for the £500m a year they will be spending on the new centralised ITV network. A significant factor in Macdonald's appointment is that he does not represent one of the big five production companies.

■ Lord Finsberg, former MP for Hampstead & Highgate, and Lady Marsh, a director of Marrington Management Services, have been appointed to the board of the *COMMISSION FOR NEW TOWNS.*

■ Lord Young of *Graffham*, former secretary of state for trade and industry, becomes president of the INSTITUTE OF DIRECTORS from January.

■ Elizabeth Nelson (above), *formerly* chairman of the Taylor Nelson Group, has been appointed chief executive of The PRINCESS ROYAL TRUST FOR CARERS.

■ John McKinnell, who recently retired after 30 years with Shell, has been appointed director of the Aberdeen office of the UK OFFSHORE OPERATORS ASSOCIATION.

■ The Rt Hon Timothy Renton MP has been appointed vice-chairman of THE BRITISH COUNCIL.

Family chairmen bow out

Two of the elder statesmen of Britain's building industry are bowing out at the low point of the recession and severing family ties with their *firms which go back several generations.*

Sir Brian Hill, whose Higgs & Hill family firm built many of London's more famous buildings *such as the Royal* Naval College and the Tate Gallery, and Paul Hyde-Thomson, who floated his family's Ibstock Johnsen *brick-making firm on the* stock market in 1970, announced yesterday that they plan to step down at the end of the year.

Sir Brian, 59, who has been chairman of Higgs & Hill since 1983, *is the seventh generation* of a family which started the business in 1874. Although *his cousin, David Hill, is* deputy chairman, the company has decided to choose the next chairman from outside the family. George Duncan (left), 58, a former chairman of Lloyds & Scottish, and current chairman of ASW Holdings and Whessoe, joins the Higgs & Hill board on November 10 and will take over from Sir Brian as non-executive chairman *at the end of the* year.

Ibstock Johnsen, which like Higgs & Hill cut its dividend yesterday, has also gone outside *for its new chairman*. Colin Hope (right), 60, chairman of T&N, who was appointed Ibstock Johnsen's deputy chairman in January, will take over from the 65-year-old Hyde-Thomson at the *end of December.*

Carr leaves County NatWest for PW

John Carr has resigned as a director of County NatWest to help develop a project finance division at Price Waterhouse, the accountancy firm.

As director of project finance, he joins a team of nine *partners and about 40 staff* including four assistant directors in the corporate finance division. He is at least the second person to join from County *in the last two years.*

Carr spent nine years at the Department of Energy including two on secondment to Morgan Grenfell's energy and project finance department. He then spent eight years at *County NatWest, where he* became a director specialising in infrastructure finance.

"We began talking to each other and it seemed a very interesting opportunity," he says of his latest move. "Project finance is a natural extension of PW's existing work on privatisation." The firm had already seen the opportunities of moving into project finance, he says, so he was "knocking at a door that was already ajar".

Carr *says that while banks* often provide finance as well as advice on raising funds, PW can carve out a niche without offering financial support to its clients. "Some clients are quite happy with someone clearly *sitting on their side of* the table with no funding interest to cloud their advice," he says.

Exhibition/Susan Moore

Bassano honours its most famous son

Most Renaissance artists, like Leonardo da Vinci, only came to be named after their home towns as a result of leaving them. Jacopo da Ponte – known as Bassano – is the great exception. He spent most of his working life in and around the small town of Bassano in the Veneto, apparently making the 45km trip to Venice only once. Despite that, after Titian and along with Veronese and Tintoretto, he was one of the most influential and inventive Venetian painters of the 16th century.

Bassano del Grappa is honouring its most famous and loyal of sons on the 400th anniversary of his death with the first monographic exhibition of the artist since 1957. The town has even spent some L1.5bn overhauling its museum's security, lighting and climate control systems in order to secure substantial foreign loans. The show is co-sponsored by the Kimbell Art Museum in Fort Worth, and a version of it, comprising fewer – and some different – oils plus more drawings, opens in Texas in January.

The exhibition's achievements are considerable. As one might expect, pictures have been gathered together from far-flung and unlikely corners of the globe – from Ottowa to the Alvar Aalto Museum in Jyväskylä. Assiduous sleuthing has uncovered a number of previously unknown works which add to our understanding of the artist.

Most intriguingly, however, the show is witness to the developing sensibility of a provincial painter as sensitive as litmus paper to what he could glean, through pictures or prints, of current artistic practice. As this impressive display amply reveals, Bassano was fortunate enough to live in, and to have been inspired by, a great age of Venetian painting.

We find him first in a "Flight into Egypt", dated to 1534, a painting of considerable naïve charm. The figures moving frieze-like across the picture plane have the monumentality of Giotto and the palette of fresco, and indeed derive from the frescoes in the Scrovegni Chapel in Padua; the Madonna and Child come courtesy of a Titian fresco in Venice.

Within a decade, he has plunged into the maelstrom of Venetian Mannerism. Compositions are crowded, complex and urgent, with figures boldly cropped and foreshortened. "The Adoration of the Magi" from Edinburgh, arguably his masterpiece, is a virtuoso performance of arrested action, sharp-edged clarity and harshly sumptuous Venetian colour. Drawing on the theatricality of Pordenone and, via Schiavone, on the elongated forms of Parmigianino, he is now bang up to date.

In many ways Bassano is a remarkable artist. Most importantly, he established the genre of the pastoral landscape.

From the first he had favoured Biblical subjects that allowed him to paint humble rustic folk and their animals in the landscape, often at night.

Jacopo Bassano established the genre of the pastoral landscape

Gradually the subject of the picture slips into secondary importance, so that in a "Sacrifice of Noah", for example, one has to search the middle distance for a minute Noah and his flaming altar.

It was only a short step to dispensing with religious subject-matter altogether – and to the pioneering series of landscapes which represent the four seasons or the four elements through the depiction of peasants at work in the countryside. A large and broadly executed canvas of two hunting dogs, painted for their own sake, and set against a lowering evening sky with the imposing Monte del Grappa in the distance, is also virtually unique in 16th-century art.

As a draughtsman, Bassano is perhaps no less original. At about the same time as Federico Barocci in Urbino, he is covering large sheets of rough blue paper with bold figure studies in dashing combinations of coloured chalks.

Bassano is, however, a peculiarly uneven artist. Anatomy is often weak, and execution frequently careless. Moreover, he tends towards the formulaic. Is this also the consequence of workshop mentality and practice? Certainly Jacopo, both son and father of painters, clearly regarded painting as a family business, and the family workshop's production-line continued to churn out lamentable Jacopo pastiches well into the 17th century.

It was, however, considered perfectly acceptable for a master at the head of a busy workshop to re-use and re-combine particularly effective figures and motifs – the premium on originality is a prejudice of our own age. That said, the relentlessness of the repetition does suggest a lack of imagination or intellectual curiosity. One reclining male figure, for instance, is variously Lazarus, St John the Baptist, a vanquished soldier, Joseph, and any number of shepherds.

Bassano is also curiously old-fashioned. His habit of combining unrelated Biblical events flouts pictorial credibility: we find St Jerome deep in his books as Christ on the Cross behind him gushes blood and the Marys weep. St Anthony Abbot similarly fails to notice the commotion beside him as the mounted St Martin slices his cloak in half in order to share it with the beggar.

The museum's third gallery reveals the malign influence of his son Francesco who has a penchant for the sootiest of night scenes implausibly stuffed with chaotic mounds of copper pots and pans. It is hard not to heave a sigh of great relief when Francesco decides to move to Venice in 1579.

Thereafter, Jacopo seems to have recaptured the spark that animated the paintings of the '40s and '50s. His last religious works are indisputably his most powerful. In an almost monochromatic, torchlit "Christ Crowned with Thorns", the rapidly executed figures of the suffering Christ and his tormentors barely emerge out of an oppressive darkness. The picture has a ghostliness and a profundity which echo the late works of his most enduring influence, Titian.

"Jacopo Bassano" continues at the Museo Civico, Bassano del Grappa, until December 6, and shows at the Kimbell Art Museum, Fort Worth, Texas, January 23-April 25. Italian and English editions of the catalogue are published by Nuova Alfa Editoriale.

Bassano's Adoration of the Shepherds joins the exhibition in Fort Worth

Sleekly modern: Juliet Booth, Nicholas Folwell and Regina Nathan in Glyndebourne Touring Opera's *Le nozze di Figaro* Alastair Muir

Opera/Richard Fairman

Mozart in Ikea

It is not only rebuilding that is causing disruption at Glyndebourne. A warehouse fire earlier in the year destroyed sets and props, including those for *Le nozze di Figaro*, which was scheduled to be one of the operas that the touring company would take round the country this autumn.

Evidently the plans were too far advanced to change and Glyndebourne Touring Opera has carried on with the Mozart opera anyway. Alongside revivals of *Katya Kabanova* and *The Rake's Progress* the company now has the novelty of a new production of its own to mark its first ever London season. Stephen Medcalf is the producer and John Gunter the designer of the new sets, which immediately proclaim a distinct personality.

The curtain rises to reveal an aristocratic home of sleek modernity, almost Scandinavian in feel, every surface white and polished, spanking clean. Even the servants' quarters have a touch of class, as though the master of the house felt the least he could do was to furnish his staff with assemble-them-yourself, wall-to-wall cupboards in the latest fashion. The countess lounges in a similarly all-white, sparsely furnished bedroom.

The most effective of the designs comes in the last act, where the night-time comedy is played out in a pool of blue light, surrounded by delicately abstract bushes. Unfortunately the huge mask which looms over the scene proves to be a bad omen in more ways than one. At this late stage in the evening the producer has decided to make a point, about reality and charades – a shame, as the rest of the production had been fairly true to the spirit of the opera.

The cast has been well chosen. The Count and Countess make a young and handsome pair. As the plot starts to ignite sparks of tension between them, it is easy to believe that this couple still feels the physical attractions and jealousies of a marriage's early years. Ralf Lukas brings a promising baritone voice to the Count's music and Juliet Booth is a generously-sung Countess, though she was not entirely happy with her second aria.

The resentment felt below stairs was well caught by Nicholas Folwell's determined Figaro and Regina Nathan's nicely-sung Susanna, though neither has the sparkling Latin temperament that their music supposes. Julie Unwin played a sensitive Cherubino, who knew exactly what he was doing. The moment when he lured the Countess unwittingly into his arms was a well-judged observation from a production that generally kept to the usual moves.

Led by Neil Jenkins's amusing Benny Hill-lookalike Don Basilio, the smaller roles are cast from strength. The music moves briskly in the hands of Marco Guidarini, who conducts Mozart in a recognisably Italian style, sharp and clear, but without the ability to find give-and-take within the musical numbers. Still, the pace on stage is not allowed to slacken. On balance the performance is just sharp enough to make it worth investigating.

Le nozze di Figaro, Sadler's Wells, sponsored by N M Rothschild & Sons Ltd. and Rothschild & Cie Banque. Four further performances in London (Box Office 071-278 8916) then touring.

Concert

Untidy majesty

THE policy was always that the resident orchestra at the Royal Festival Hall, whichever it may be, would offer more adventurous programmes than were usual in the past. Now that the London Philharmonic is installed in the position, the programmes we are getting are certainly different, although some logic in the way they are put together would also help.

There was no musical link between the items in Wednesday's concert. Only the orchestra's own activities provided some connection. In its other residency at Glyndebourne the London Philharmonic took part in some of the wind serenades commissioned to mark the Mozart bicentenary last year. Robert Saxton's Paraphrase on Mozart's *Idomeneo* was the one most obviously based on a drama and it came over with fine dramatic punch here, conducted by Jeremy Jackman.

From wind serenade to *a capella* chorus. The London Philharmonic Choir also wanted to play its part and the next piece was Mendelssohn's Psalm 2: "Warum toben die Heiden", after the Saxton a very comfortable Victorian setting for double choir, in which the chorus sounded less confident than it was to do later.

From these two openers it would be impossible to guess the main work of the evening: Beethoven's Ninth Symphony. The orchestra come on cold for the symphony, which was an obvious risk. The opening movement gave us a big, romantic orchestra let loose, with roaring horns and thunderous timpani obscuring the rest, but then clarifying what is going on in a tidy fashion has never been among Klaus Tennstedt's primary objectives in Beethoven.

Tennstedt now looks to be one of the last purveyors of the German classics as they used to be, grand, awesome, inspirational. Or, at least, he is one of the last who can take the liberties with the music which that style presupposes and make it work. No matter how extreme a pulling-around of the tempo is dared, Tennstedt convinces the listener for that moment that the music is being genuinely felt and communicated.

In the earlier movements spontaneity of feeling was at the expense of symphonic logic. But the arrival of the imposing bass René Pape to announce the "Ode to Joy" dispelled any lingering doubts. The finale, well sung by the London Philharmonic Choir and supported by the other three soloists, Lucia Popp, Ann Murray and Anthony Rolfe Johnson, found majesty and mystery in plenty. Tennstedt remains the London Philharmonic's trump card.

Richard Fairman

A Royal Philharmonic Society concert, sponsored by Pioneer

Theatre

Weak hypnosis

George du Maurier (1834-1896) published *Trilby* in 1894, renaming the Homburg hat and creating the character of Svengali. Du Maurier's short book became an early bestseller, netting him £20,000. Herbert Beerbohm Tree adapted the novel for the stage, and at the Haymarket in 1895, *Trilby* entered theatrical history. It made an awful but successful play.

Now, Shared Experience Theatre has made a bold fist of this difficult drama, and has emerged with *Trilby & Svengali*, a lame production of a halting play. It visits Oxford, Southampton, Belfast, Newtown and London.

This Parisian story – drawn from du Maurier's experience in the Latin Quarter – centres on Trilby, an artist's model, and Svengali, a mysterious Jew with hypnotic powers. Trilby loves an English artist, Billee, but feels the social gulf between them, and runs off. Svengali mesmerises her, teaches her to sing as "La Svengali". They tour Europe triumphantly, but the hypnosis wears off, leaving Trilby croaking in mid-performance. The final scene, all mesmerism and tension, is worthy of John Buchan's *The Thirty-Nine Steps*, but with less at stake.

This is about influence and power over others, the original modern idea of Svengali. The model with a past and the man with a presence create an alchemy of alteration and manipulation. *Trilby & Svengali* should explore the boundaries of identity and personal power, but the play never gets that close to its own centre, never becomes intimate with itself.

However, it does suggest the almost contemporary Freudian idea of a primal scene, with Trilby reverting to childhood after hypnosis. The action stresses the anti-semitism of the French and English; Svengali is a Jew given no respect: "Why should they have so much and I have so little."

The acting copes with the chaotic direction, and Teddy Kempner as Svengali maintains high levels of energy and mystery. Tilly Blackwood as Trilby and Dermot Kerrigan as Billee are convincingly drawn into his world. There is a super vignette of a washerwoman from the versatile Mary Roscoe, and moments of musical enlightenment from Dean Brodrick's score.

Andrew St George

On tour until 12 December: Oxford, Southampton, Belfast, Newtown (Wales), London (071 434 9248)

Derek Walcott wins Nobel Literature Prize

The Trinidadian poet and dramatist Derek Walcott has been awarded the 1992 Nobel Literature Prize.

The award is both fitting and deserved because the kind of Caribbean poetry that Walcott's work represents has helped breathe new life into English poetry in general, whether written in England, America or elsewhere. It has drawn the attentions of poets and their audiences back to the fundamental importance of the relationship between poetry, song and dance.

Walcott's most recent long poem, the epic-length *Omeros* (Faber, £9.99), drew together many of the themes that his work had been exploring since the late 1940s: how to reconcile the Old World and the New; the world of European literature to which his British colonial education had given him access, and the world of the Caribbean itself, with its dark and largely unwritten history of slavery.

Walcott's work can be as erudite and intellectually taxing as any other poet's of our century; but it also has the rhythmic expressiveness and joyous sensuality of a body in motion.

Michael Glover

INTERNATIONAL ARTS GUIDE

The Thyssen collection opens to the public this weekend in its new home – the Villahermosa Palace in Madrid. Until only a few months ago, the collection of paintings built by Baron Thyssen and his father since the 1920s was housed at the lakeside Villa Favorita near Lugano in Switzerland. The decision to relocate it in Madrid was influenced partly by the Baron's wife, who is Spanish, and also by the generous terms offered by the Spanish government.

The government is footing the bill for a $45m restructuring of the Villahermosa Palace to house the collection. It is guaranteeing any shortfall in the running costs after entrance fees are collected. It is paying an index-linked rent of $6m a year, and has given the Baron and Baroness the last word on how the collection is administered during the ten years of the loan.

Unless both parties agree to extend the loan agreement, the collection is to be handed back to the Thyssens in 2002, with exemption from Spain's otherwise restrictive export laws. Critics of the deal say it would have been more sensible to spend the money on rebuilding the Villahermosa Palace to be an annexe for the nearby Prado, which is urgently in need of more space.

The collection includes 720 paintings, as well as some sculpture, tapestries and goldsmiths' work. The star paintings are Holbein's Henry VIII, Dürer's Christ among the doctors, Carpaccio's Young knight in a landscape and Jan van Eyck's Annunciation.

The neo-classical Villahermosa Palace, whose present appearance dates from the 1770s, has been adapted by the architect Rafael Moneo to provide 6000 square metres of gallery space. The paintings are grouped chronologically, beginning with the 13th century on the top floor and working down to Cubism, Surrealism, Pop Art and Neo-Expressionism on the ground floor, with the earlier works, up to German Expressionism, outnumbering modern art by three to one.

EXHIBITIONS GUIDE

BASSANO DEL GRAPPA

Museo Civico Bassano celebrates Bassano: the 400th anniversary of the death of Jacopo dal Ponte, known as Bassano, is being marked by his home city with an exhibition co-sponsored by the Kimbell Museum in Fort Worth (where it will be seen early next year). There are 68 paintings on show, including the Flight into Egypt of 1534, a rare bozzetto of St Paul Preaching, two studies of Pentecost, the large altarpieces of Sts Peter and Paul from Modena and the Crucifixion from Treviso. Ends Dec 6

BERLIN

Martin-Gropius-Bau America 1492-1992: a vast and enthralling survey of American culture from the time of Columbus' voyage of discovery to the present day. Ends Jan 3. Closed Mon

Nationalgalerie Art in Germany 1905-37: more than 140 paintings and sculptures by 62 artists, including Dix, Klee and Munch. Ends Jan 3. Closed Mon and Tues

BIRMINGHAM

Barber Institute of Fine Arts Dangerous Liaisons: an exhibition putting Poussin's Tancred and Erminia in the context of other Poussin paintings borrowed from British, French and Russian collections. Ends Jan 3. Closed Sun

CHICAGO

Art Institute Ancient Americas: 300 works of art, from modelled ceramic vessels and brilliantly coloured textiles to goldwork and monumental stone sculptures, exploring more than 3000 years of Amerindian art. Ends Jan 3. Also Rousseau's The Dream: Henri Rousseau's celebrated painting (1910), which initiated a rich genre of fantasy art. Ends Jan 30. Daily

COLOGNE

Wallraf-Richartz-Museum From Brueghel to Rubens: the Golden Century of Flemish Painting. An exhibition of 150 paintings and 170 graphic works from the years 1550 to 1650. Ends Nov 22. Closed Mon

Museum für Angewandte Kunst Jewels of Fantasy: 350 pieces of costume jewellery by names such as Chanel, Dior and Kenneth Jay Lane, tracing the social, economic and cultural influences on 20th century jewellery design. Ends Feb 7

FRANKFURT

Schirn Kunsthalle Genoese Art of the Baroque Age. Ends Nov 9. Daily

Städel Emil Schumacher (b1912): 60 paintings by the German abstract painter. Ends Jan 10. Also Oskar Kokoschka and the Puppet. Ends Oct 18. Daily

Deutsches Architekturmuseum Modern architecture 1900-50: 600 drawings by German architects. Ends Nov 29. Closed Mon

Raiffeisenhalle Contemporary Art of Mexico. Ends Nov 1

LONDON

British Museum Ukiyo-e paintings: 100 images of bawdy society depicted by painters of feudal Japan during the Edo period 1600-1868. Ends Nov 29. Daily

Royal Academy of Arts Sacred Art of Tibet. Ends Dec 13. Also Alfred Sisley retrospective. Ends Oct 18. Daily

Hayward Gallery Art of Ancient Mexico: a breathtakingly beautiful show of Mesoamerican sculpture and ceramics. Ends Dec 6. Also Bridget Riley: paintings 1982-92 by one of Europe's most authoritative abstract painters. Ends Dec 6. Daily

Courtauld Institute Kokoschka: prints, illustrated books and drawings by the Austrian expressionist, showing his mastery of graphic media and boundless energy. Ends Oct 28. Daily

Institute of Contemporary Arts Jean Nouvel: multi-media installations illustrating the work of the French post-modern architect. Ends Oct 25. Daily

Barbican John Heartfield: the first major retrospective in Britain of the father of photomontage. Ends Oct 18. Daily

Tate Gallery The Painted Nude. Ends Dec 27. Also George Baselitz (b1938): prints 1964-90. Ends Nov 1. Also Turner's Use of Perspective. Ends Jan 31. Daily

Whitechapel Art Gallery Juan Gris (1887-1927): retrospective of the Spanish painter who joined Picasso and other members of the Parisian avant-garde in the great Cubist experiment. Ends Nov 29. Closed Mon

LOS ANGELES

County Museum The Golden Age of Danish Painting: 100 works painted between 1780 and 1850, when Copenhagen was a major art centre. The exhibition includes landscapes, marine views, portraits and genre scenes by painters including Jens Juel, C W Eckersberg, Constantine Hansen and Christen Kobke. Ends Jan 2

MADRID

Centro de Arte Reina Sofia An exhibition inaugurating the museum's permanent collection, featuring Guernica and 19 other Picasso works, 24 by Dali, 17 by Miró, Le Corbusier's The Fall of Barcelona and more than 300 other major 20th century paintings. Closed Tues

Fundacion Juan March David Hockney: 76 paintings, photographs and drawings. Ends Dec 13. Daily

Casa de Vacas Annie Leibovitz photographs 1970-90: 130 images by the celebrated American photographer. Ends Nov 11

NEW YORK

Museum of Modern Art Henri Matisse (1869-1954): 400 works, including 300 of the most important paintings and a generous selection of sculptures, drawings, paper cutouts and prints. Ends Jan 12. Closed Wed (call Ticketmaster 212-307 4545)

Metropolitan Museum of Art Ribera: 400th anniversary retrospective. Ends Nov 29. Also Magritte: 150 works by the Belgian surrealist. Ends Nov 22. Closed Mon

Guggenheim Museum The Great Utopia: the Russian and Soviet Avant-Garde 1915-32. Ends Dec 15. The SoHo site has the set of murals which Chagall painted for Moscow's Jewish Theatre in 1920. Ends Jan 17. The main museum is closed on Thurs, the SoHo site on Tues

IBM Gallery Christopher Columbus and the Spanish Exloration of the Indies: 70 objects from public and private collections in Spain, including documents, maps and scientific instruments. Ends Nov 7. Closed Sun and Mon

PARIS

Grand Palais Picasso et les Choses: Picasso's near-fetishist attitude to objects makes his still-life paintings shout in indignation, changing a jug into an image of a woman's body, or a bicycle saddle and handles into a bull's head. Ends Dec 28. Also The Etruscans and Europe: pottery, bronzes, wall paintings and jewellery illustrating the harmonious civilisation which formed a link between ancient Greece and Rome. Ends Dec 14. Closed Tues, late opening Wed (ave du General Eisenhower)

ROTTERDAM

Museum Boymans-van Beuningen Impressionism: an exhibition drawn from the museum's own rich collection of French Impressionists, with paintings by Gauguin, Signac and van Gogh, drawings by Cézanne, prints by Toulouse-Lautrec and Bonnard and sculptures by Degas, Renoir and Rodin. Ends Nov 29. Closed Mon

SAN FRANCISCO

Museum of Modern Art Luciano Fabro: 50 works of art by a leader in the Italian school of Arte Povera. Ends Nov 29

FINANCIAL TIMES

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Friday October 9 1992

Filling in the policy gaps

THE CHANCELLOR'S speech to yesterday's Tory party conference was as economically thin as it was politically disappointing. It represented a modest step towards formulating a workable alternative policy to membership of the European exchange rate mechanism. But it failed to tackle the flaw which lies at the heart of British economic policymaking.

Many aspects of the government's nascent economic policy are welcome. The commitment to low and stable inflation, broadly defined, has been reaffirmed; but zero inflation, a policy target that is as undesirable as it has proved unattainable, has been forgotten. The government will monitor a broad range of monetary and credit aggregates as well as the exchange rate; but flexibility will prevail over any pressure to replace the exchange rate with a single domestic policy instrument.

UK monetary policy at this point needs judgment and credibility rather than religious attachment to a single holy policy grail. The economy needs enough policy easing, mainly via the sterling depreciation that has already occurred, to fuel an export and investment-led recovery. But policy must remain tight enough to prevent a consumer-led recovery or a rise in domestic wage inflation. No one knows how much easing of policy has already occurred.

Much more work is required before the government can claim to have constructed a workable framework in which these judgments can credibly be made. Operationally, there is a need for more technical meat to be put on these monetary bones.

Wage restraint

First, the competitiveness gains of devaluation will only be maintained if nominal wages in the domestic economy grow at a sustainable pace. They cannot be permitted to rise by more than 4 per cent a year, which means pay settlements of no more than 2 per cent in both the private and public sectors. If they do, the authorities may need to tighten policy. Even after two years of recession, average earnings are still rising at 6 per cent a year.

Second, the government must pay close attention to the gap between long-term interest rates and index-linked gilts, the best available market measure of expected inflation. This gap is high and rising; at more than 5½ percentage points, it suggests that inflationary expectations are rising. There should be no further interest rate cuts until this yield gap and wage settlements are falling again.

These extra targets are necessary if the current economic policy vacuum is to be filled. But they will still leave a gaping credibility gap in UK monetary policy.

Carte blanche

The case for ERM membership was that it offered a check on the freedom of action of the chancellor and his Treasury team, deemed necessary after the errors of the late 1980s. The ERM proved too demanding a discipline for the economy to handle. But simply to return the freedom to set policy to those from whom it was taken solves nothing. The chancellor's underlying inflation target range of 1 to 4 per cent during this parliament sounds sensible, even ambitious. But the long lags between action and result in monetary policymaking mean, in effect, that the chancellor has awarded himself *carte blanche* to do almost anything he wants.

A flexible and credible UK monetary policy can only work if it is managed by individuals within an institution whose goals and judgment are skilfully explained and can be understood, believed and trusted – by the markets, by wage and price setters, and by the electorate. Mr Lamont, his advisers and the Treasury as an institution have forfeited that trust. They will not easily regain it.

In spite of the pain of the recession, the UK is still capable of achieving a new consensus about the need to provide low and stable inflation. But to do so, it will need a new institutional framework in which these goals can credibly be pursued. The power to make monetary policy decision must be taken from the Treasury and given to an autonomous, but accountable, Bank of England whose tasks are simple, explicit and free from the pressures of party conferences. And the government needs a council of economic advisers to monitor its actions and those of the Bank. The government continues to fall short of what the crisis demands.

France's narrow ERM options

IN ITS statements on European integration, the German government likes habitually to repeat the words of Thomas Mann. In recent years, Bonn has declared its aim is a "European Germany", not a "German Europe". Unfortunately, in monetary terms, the latter state of affairs, not the former, now prevails. This has important consequences for the French government. After the departure of Britain and Italy from the exchange rate mechanism (ERM), the Franco-German relationship, still more clearly than before, lies at the heart of the Continent's monetary arrangements. Paradoxically, in view of France's much improved inflation performance, Germany's influence in that partnership has increased disproportionately. Re-establishing equilibrium will have a vital bearing both on the ERM's future, and on the wider prospects for economic and monetary union (Emu).

September's currency squalls resulted, at least temporarily, in a huge shift of European central banks' currency reserves. The four most important EC economies after Germany – France, the UK, Italy and Spain – lost perhaps 40 per cent of their foreign exchange holdings, while the Bundesbank's published foreign currency reserves rose by nearly DM80bn (£32.3bn) last month. Britain and Italy will both be mobilising large foreign loans – Britain via the Ecu10bn facility announced in September, Italy through the credit it is negotiating with the EC – to repay later this year at least part of their short-term credits raised from the Bundesbank to finance currency intervention.

Three options

In contrast to Britain and Italy, France, with the aid of the Bundesbank, won last month's tussle to maintain its parity. But Paris has yet to show that victory was not Pyrrhic. The Bank of France sharply ran down its reserves, spending at least FFr80bn (£9.52bn), and possibly as much as FFr150bn, to judge by the central bank's weekly currency returns. Although the foreign exchanges have quietened, with the franc yesterday more than 3 pfennigs above its D-Mark floor, further upheavals cannot be ruled out.

The French government and the Bank of France have three basic options. First, the French authorities can remain resolute, patient – and passive. Further Bundesbank interest rate cuts, which now seem likely during the next few weeks, will create room for long-promised cuts in French interest rates. The gap between banks' base rates (held down at government behest at 9.85 per cent) and overnight money market funds (yesterday, 12.25 per cent) is severely squeezing banks' profitability – bringing losses which largely will have to be borne by the French Treasury. Yet, so long as the squeeze ends soon, the government regards this as a price worth paying.

Last resort

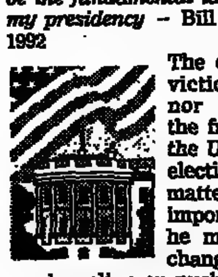
Second, France could – as a last resort if it faces a fresh run on reserves – carry out a realignment to lower pressure on the franc. This not only would bring great loss of prestige, but also would be economically counter-productive. A revaluation of the D-Mark against the franc, when French unit labour costs are rising much more slowly than in Germany, would further damp German business prospects. Even if a D-Mark/franc shift were accompanied by another Bundesbank interest rate cut, it would make a German recession more likely.

Third, France could increase its policy credibility by adopting a more narrow ERM fluctuation band against the D-Mark, perhaps reducing the present 2.25 per cent margin to only 1 per cent – similar to action already taken by Belgium. This would buttress the Bundesbank's message that the franc is correctly valued. Such a move could be combined with institutional steps aimed at giving independence to the Bank of France. Narrower bands would involve risks, especially in a political climate which will become more tense during the run-up to general elections in March. But this step could heighten the chances that France's strategic goal of Emu – inevitably, formed around a Franco-German core – will become reality. If a European central bank is, one day, to displace the Bundesbank from its throne, last month's joust with the currency speculators was just one of the battles France needs to win.

Bill Clinton's economic policies promise a radical break with the laissez-faire of the 1980s, writes **Michael Prowse**

Southern comfort

It's time to put people first. That is the core of my national economic strategy for America. And that will be the fundamental idea that guides my presidency – Bill Clinton, June 1992



The economic convictions of Governor Bill Clinton, the front-runner in the US presidential election, are now a matter of pressing importance. Would he make marginal changes to US economic policy or push the US in a radically new direction?

The answer is still hotly disputed, partly because Mr Clinton's speeches are the artful constructions of a master politician. For example, he proclaims his commitment to free trade, yet in the same breath condemns the Republicans for "exporting" American jobs to the Third World. The truth seems to be that Mr Clinton is offering a genuine break with the past. As a conservative southerner, he has little sympathy for either old-style "tax and spend" liberalism or Republican laissez-faire.

President George Bush is offering the nation a watered-down version of Reaganism. He argues that big government is part of America's economic problem and pledges new tax cuts if re-elected. Tax cuts – particularly more generous relief on capital gains – are sold as a way to stimulate more saving and investment, thus boosting growth and helping reduce the budget deficit.

For Mr Clinton, this is the failed policy of "trickle-down" economics. He argues that rich individuals failed to invest or save in the 1980s despite a halving of the top rate of income tax. Instead of raising productivity growth, supply-side economics led to a consumption binge of unprecedented proportions. Democrats attribute the economy's inability to shake off recession in the past two years largely to the record corporate and personal debts accumulated during the boom years of the 1980s.

Mr Clinton offers policies based on radically different premises. From the day he shook former president John F Kennedy's hand as a schoolboy in the 1960s, he has believed in government as a positive force in people's lives. He believes the US is losing ground relative to Europe and Japan because federal and state governments often do little to support economic growth. Deliberately echoing the rhetoric of Franklin Roosevelt's New Deal, Mr Clinton is offering the American people a "new covenant" – a pledge that a revitalised public sector will take active steps to help the forgotten mass of middle-class American families, many of which have recently suffered a steady erosion of living standards.

But in an era of global economic competition and unprecedented mobility of physical and financial capital, how can government best promote high living standards? Drawing on the ideas of advisers such as Mr Robert Reich, a professor at the Kennedy School of Government, Mr Clinton argues that policymakers should concern themselves with factors of production that are immobile, principally people and infrastructure.

He makes the argument crystal clear in his economic plan, Putting People First: "In the emerging global economy, everything is mobile: capital, factories, even entire industries. The only resource that's really rooted in a nation – and the ultimate source of all its wealth – is its people. The only way America can compete and win in the 21st century is to have the best-educated, best-trained workforce in the world, linked together by transport and communication networks second to none."

The underlying logic seems persuasive. US per capita incomes once depended purely on the performance of American companies. In a global market, they now depend on Americans' ability to gain employment with the world's most dynamic companies, regardless of their ultimate ownership. One route to high US living standards is thus to persuade the most productive companies – German and Japanese as well as American – to locate high-tech plants and research facilities in the US. But they will do this only if the US offers a better environment for business than other countries, which means a better-educated workforce and a modernised public infrastructure.

On education and training, Mr Clinton's proposals move well beyond the usual focus on high-school reforms. By proposing a national apprenticeship programme based loosely on continental European practice, he has become the first presidential candidate to take seriously the educational needs of the majority of Americans who do not attend university. To help those already in the workforce, he would oblige employers to invest about 1.5 per cent of payroll in training or contribute to the cost of public training schemes.

The college-bound, meanwhile, would benefit from financial reforms allowing all qualified students to borrow from the government and repay loans either through a low tax on subsequent earnings or by serving the community for a limited period after graduation, for example as police officers or social workers. The bold idea of encouraging thousands of graduates to pay for college by enlisting in a domestic "Peace Corps" is especially appealing for middle-class families hit by rocketing tuition costs.

On infrastructure investment, Mr Clinton's plans go beyond mundane projects such as new bridges and roads. He favours Japanese-style bullet trains and promises to create a "communications network of high-technology interaction that will link every home, every school, every factory, every business in America, and put us in the lead economically well into the 21st century".

Mr Clinton's case for more activist government has other important planks. He sees healthcare as partly an economic issue, because soaring costs are putting an intolerable burden on much of American business. The Republican claim that competition can bring down costs is dismissed as yet another failed nostrum of the 1980s. Noting that a competitive free-for-all has led to healthcare spending equivalent to 13 per cent of gross domestic product – easily the world's highest – Mr Clinton argues convincingly that the US must learn lessons from other advanced countries and accept the need for sterner government regulation, including national spending caps.

He is also openly advocating a more interventionist industrial policy, partly to help redeploy resources devoted to defence during the cold war years. His advisers say he is not interested in "picking winners" but does believe that the federal government could do more to support the development of new "generic" technologies in fields such as robotics, high-speed computing and biotechnology. He would create a civilian research and development agency "to bring together business and universities to develop cutting-edge products and technologies".

For many economists, however, Mr Clinton's otherwise attractive plan is flawed by a failure to address the nation's single most pressing problem: the federal budget deficit. His promise to "halve the deficit" by 1996 despite proposing an additional $200bn of investment in education and infrastructure is not regarded as credible. The extra spending is not large relative to the US budget, but it is likely to inflate the deficit because the offsetting tax increases and spending cuts proposed are dubious. For example, Mr Clinton has unrealistic hopes of raising about $85bn from the top 2 per cent of earners and $45bn from foreign companies operating in the US.

Mr Clinton's failure to propose tough fiscal measures – such as Mr Ross Perot's bracing $160bn increase in petrol taxes and $230bn cut in entitlement programmes – makes a mockery of his pro-growth rhetoric. The drain on national savings from record budget deficits is arguably the single most important cause of low investment and productivity growth. Yet what should Mr Clinton say if he hopes to win the election? Should he make the same mistake as Mr Walter Mondale, the Democratic candidate in 1984, and call for a general tax increase? This would be to present himself as a lamb for slaughter.

Given electoral realities, budget policy should perhaps not count as a clear negative for Mr Clinton. His promise to raise federal investment without specifying credible tax increases is no more irresponsible than Mr Bush's pledge to cut taxes without specifying offsetting spending cuts. What he will do if he wins the election is uncertain; if the economy is still stagnant, he will face immediate pressure to agree a fiscal stimulus.

But there is little reason to fear he will perform worse in the medium term than the Republicans, who have quadrupled the national debt in 12 years. He may do better. As governor of a poor state, he is used to making hard fiscal choices and is reputedly keener on budget balance than most of his economic advisers. He may even take advantage of an emerging consensus in Congress on the need for budget retrenchment finally to bring the deficit under control.

Many elements of the Clinton plan have received broad support – in normally Republican business circles as well as in Democratic strongholds such as the teaching profession and labour unions. People appreciate Mr Clinton's long time horizons. In the US, economic policy debates have normally been restricted to next year's tax and spending plans. Mr Clinton is breaking new ground by shifting the focus to the long-term determinants of productivity growth, such as the quality of the workforce.

The common thread linking different parts of the plan is the notion that the US must adapt and become more like its main trading rivals, such as Germany and Japan. It is striking that each of Mr Clinton's main reform proposals – in education and training, infrastructure, healthcare and industrial policy – would push the US economy in a distinctly European direction.

Mr Clinton, in effect, is offering the American people something akin to a Germanic social market in which free enterprise is bolstered, rather than undermined, by strong social policies. This approach is not without risks: greater state intervention can inhibit the ability of economies to respond flexibly to economic shocks, which is one reason why German unification has imposed such great strains in Europe. But it also offers the prospect of greater social cohesion, which may be more important in the long run. Mr Clinton's success in the polls suggests Americans are ready for what could prove an historic change of direction.

Joe Rogaly

Lamont's guiding star

We now know the British government's economic policy. Every morning the chancellor of the exchequer will read the newspapers, check the markets, lick his finger and put it up to the wind, tap, perhaps, at a lightly boiled egg, and decide what to do. He may, of course, take advice. He will be able to draw upon the distilled wisdom of the economists, forecasters and officials who got us where we are today.

He will not be entirely rudderless. He has chosen a guiding star. Over the next four or five years underlying inflation will be kept down to between 1 and 4 per cent. This is a firm objective, to be met with determination, unless it suits the government to break it. Since the experience of the past few weeks teaches us that events control the chancellor, and not the other way around, the meaningfulness of this aspiration is elusive.

I summarise, but in the two paragraphs above you have the essence of Mr Norman Lamont's speech to the Conservative party conference. The technicalities of what he had to say were set out in a letter to the Treasury and civil service committee of the Commons. The speech plus the letter appear to have been received with some bemusement by the markets. The address itself was greeted with less than rapturous applause by the assembled Tories at their convention in Brighton. This is hardly surprising. Most of the Tory party workers are aware that the devaluation of the pound will work its way through to inflation. Some appreciate that there is a political limit to the amount of deflation that the public will stand. The conclusion is inescapable. Decisions well within the government's control may lead it to abandon Mr Lamont's guiding star. Politics could yet drive the Tories to cut and run.

I do not wish to be unfair to the chancellor. He has been consistent in his determination to reduce inflation. While Britain was inside the exchange rate mechanism his policy in that respect succeeded remarkably well. It is wholly characteristic of him to indicate that he wishes to persevere now that the foundations of his previous strategy have crumbled. It is, equally, in character for the prime minister to encourage Mr Lamont. Both are aware that to reduce interest rates rapidly, as called for by some at the conference, would constitute a hugely

He is determined to hold down inflation, unless it suits the government to do otherwise

expensive purchase of short-lived popularity. It is to their credit that they have not succumbed to that temptation.

All of this would be more enthusiastically received if the government was politically secure, or if the chancellor had a bottomless fund of credibility upon which to draw. Unfortunately neither condition prevails. The government has yet to regain its authority. Mr Lamont's political difficulties diminish his effectiveness. He may win through, and surprise many of his detractors, but he has a way to go.

He is fighting to rebuild his reputation, with the zest and energy of a cornered politician. A series of four long-standing public engagements could make or break him. Success at all four would go a long way towards restoring his image; sustained market approval would put him on the road to rehabilitation.

The first of these appearances, at a fringe meeting on Wednesday night, was revealing. He gave a lecture on European policy. It stuck faithfully to the government's line, which is currently "support Maastricht, as amended". Yet the tone of his remarks, well understood by his Euro-sceptical audience, belied their content. He was saying: "I am one of you." He thus exposed himself as not pure metal, but an alloy.

It was the same yesterday. He did not mention Maastricht to a conference whose nationalists are loud and vociferous. An inattentive listener might conclude that there was no intention to return to the ERM. In the accompanying technical letter he set conditions for re-entry which anyone with a knowledge of recent history would realise could be met.

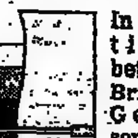
As one observer, close to Mr John Major, remarked, Mr Lamont wobbles. He does it for understandable political reasons, but it does not help the government or the prime minister. We shall see whether the pattern is continued when he addresses the Commons committee on Monday, or at his Mansion House speech later on.

His colleagues will be watching closely. For the moment the inner core of the government seems united. Mr Douglas Hurd, Mr Kenneth Clarke, Mr Michael Heseltine, Mr Major and Mr Lamont are co-operating, although the first three are Euro-enthusiasts and the latter is anxious to maintain his reputation as a sceptic. The five sat together through Black Wednesday, their amazement growing as Mr Lamont and his officials told them the news. The Tories' world had fallen apart in the chancellor's hands. The foreign and home secretaries, not to mention the president of the board of trade, may find it uncomfortable if they are obliged to sit back as the chancellor makes all the decisions on his own once more.

PERSONAL VIEW

How to repair the Anglo-German rift

By Helmut Schmidt



In the relationship between the British and Germans, something has gone badly awry. The primary source of discord is money. But currency matters are also questions of politics. As a result, the pound's collapse has sent the Anglo-German political barometer plunging.

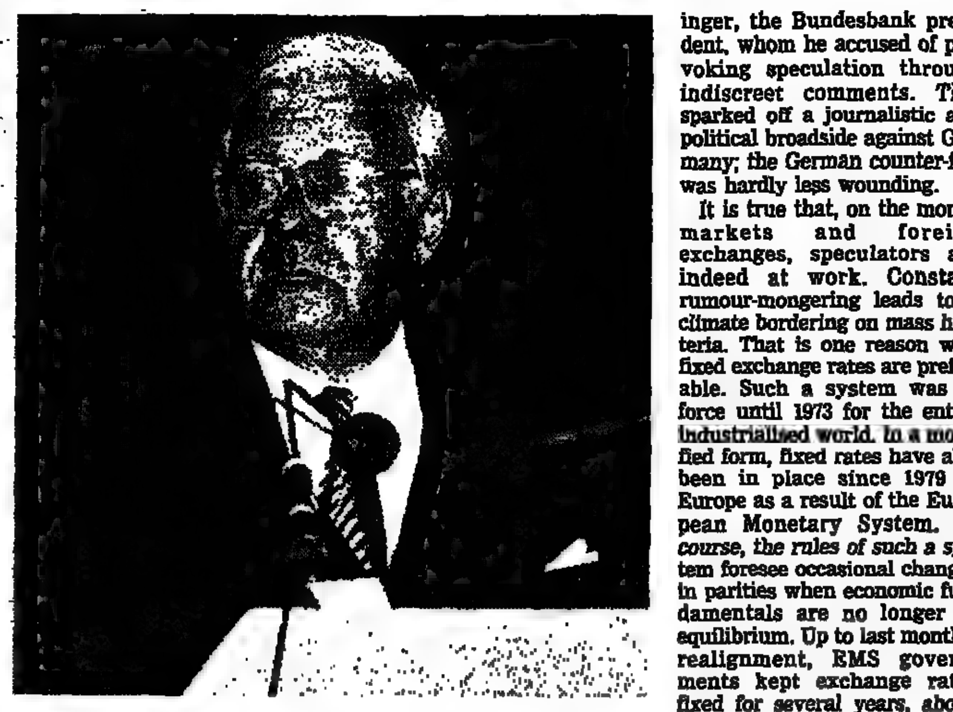
We must try to avoid the storm turning into a permanent climatic downturn. It is time that the British government and the Bank of England – *as well as the* newspapers in both countries – become aware of the political damage wrought by thoughtlessness on both sides.

For some important causes of the dispute, we must turn to Germany. There are sharp discrepancies between the fiscal policies of the government and the monetary policy of the Bundesbank. The differences have their roots in Bonn's decision in 1990 – against the advice of the then Bundesbank president, Mr Karl Otto Pöhl – to introduce the D-Mark into East Germany at a rate which amounted to a large revaluation of the East German mark. The apparently generous one-for-one conversion rate was one of the reasons for the speedy collapse of the East German economy, leading to large financial demands from the east and enormous German public-sector borrowing.

Mr Theo Waigel, the finance minister, stresses that growth in the borrowing requirement of German central government has been relatively small. At best, this is naive self-deception. If we include all the special funding vehicles introduced since unification, as well as the budgets of the states (Länder) and municipalities, it is clear that public-sector borrowing is still accelerating.

This unparalleled call upon private savings both in Germany and abroad represents a burden on badly needed corporate investment and on residential construction. Additionally, since the proceeds of the loans are channelled above all into consumption in eastern Germany, long-term capital is effectively being converted into cash spent on consumer goods.

The increase in money in circulation has understandably unsettled the Bundesbank, which long warned of the consequences of Bonn's apparently "painless" fiscal policies. This was the fundamental reason for Mr Pöhl's resignation last year. The Bundesbank has been trying to use high interest rates to keep money supply under control – without success, because high D-Mark interest rates have attracted considerable amounts of foreign liquidity to Germany.



Helmut Schmidt: monetary policy is also foreign policy

The Bundesbank has thus itself contributed to the increase in the money supply, and has also brought the D-Mark under revaluation pressure. Last month central banks sought, through massive intervention, to avoid the devaluation of other European currencies. In the case of sterling and the lira, this was unsuccessful. But the transactions of the Bundesbank and other central banks nonetheless led to a gross increase in domestic D-Mark liquidity (before allowing for money market sterilisation) of about DM100bn during the past few weeks.

The Bundesbank council must now concede that its tight money policy has been counterproductive. Germany's monetary watchdog has bitten its own tail. The Bundesbank's monetary policies are powerless to counter the inflationary impact of Germany's overall public sector deficits. With record interest rates, however, the Bundesbank can deepen the recession. A dramatic resignation of the Bundesbank president would, perhaps, do more to bring about a fiscal about-turn than a continuation of monetary strangulation.

The present gulf between monetary and fiscal policy is unparalleled since the foundation of the federal republic in 1949. *The main blame lies with* the federal government. It must recognise that budgetary spending, subsidies and tax allowances must all be cut – in areas from defence expenditure to agriculture.

If further funding is still needed, then tax increases must take priority over a further rise in indebtedness. A vital condition for this change in course is the successful conclusion of the "solidarity pact" Chancellor Helmut Kohl is trying to negotiate with trade unions and employers to hold down the costs of unity.

As a consequence of their budget policies, the German chancellor and finance minister are also in the dock

What are the lessons for the UK? With enormous effort and sacrifice, Britain won the war against Hitler's Greater Germany. Since then, however, Britain's economic prowess, relative to international competitors, has gradually but continuously fallen. France, Germany and other countries long ago exceeded its per capita economic output.

Britain's chancellor has made "speculators" responsible for pressure on sterling. He also blamed Mr Helmut Schlesinger, the Bundesbank president, whom he accused of provoking speculation through indiscreet comments. This sparked off a journalistic and political broadside against Germany; the German counter-fire was hardly less wounding.

It is true that, on the money markets and foreign exchanges, speculators are indeed at work. Constant rumour-mongering leads to a climate bordering on mass hysteria. That is one reason why fixed exchange rates are preferable. Such a system was in force until 1973 for the entire industrialised world. In a modified form, fixed rates have also been in place since 1979 in Europe as a result of the European Monetary System. Of *course, the rules of such a sys*tem foresee occasional changes in parities when economic fundamentals are no longer in equilibrium. Up to last month's realignment, EMS governments kept exchange rates fixed for several years, above all for prestige reasons – a motivation which particularly guided the British government.

Mr John Major and his chancellor are not magicians. In the short time since Britain became a full EMS member in October 1990, they have not been able to improve the fundamental *state of the* British economy. So their resolute attempt to maintain the sterling parity was doomed, sooner or later, to fail – corresponding to the pattern of the past 40 years. I only hope the search for German scapegoats soon gives way to good old-fashioned British commonsense.

The Germans *must* also find their way back to the path of reason. They must learn to avoid arrogance. They must restrain themselves from making indiscreet remarks in interviews, even when these comments happen to be factually correct. Criticism may be directed at the UK government. *But I must emphasise* that, as a consequence of their budget policies, the German chancellor and his finance minister are also in the dock.

The Bundesbank has to realise that the rise in the D-Mark is damaging Germany's exports. And the central bank's president and vice-president must learn the art of discretion; they have handed too many cheap arguments to British opponents of Maastricht. Above all, everyone must realise that monetary policy is also foreign policy. If we are to *avoid further misfortune,* all concerned should conduct themselves accordingly.

The author was chancellor of West Germany 1974-1982.

LETTERS TO THE EDITOR

Number One Southwark Bridge, London SE1 9HL

Fax 071 873 5938. Letters transmitted should be clearly typed and not hand written. Please set fax for finest resolution

Efficiency in the trade associations

From Mrs Moira T McMillan.

Sir, You report the Department of Trade and Industry's interest in bringing greater efficiency into trade associations ("Ministers query cost of trade groups", October 5). We in the coatings industry (£2bn annual turnover) are streamlining our services to provide better value to our member companies. My association is following the federation route by incorporating the Printing Ink Manufacturers from January 1 while enabling existing paint, powder coatings and wall-covering activities to flourish within a single organisation. There is also regular co-operation with kindred associations on individual matters of mutual interest where collaborative effort is economical and provides comprehensive industry input to government.

Individual *companies* will continue to support and belong to such clearly defined and appropriate trade groupings, in which their detailed technical and trade interests can be identified and serviced by experts.

There is a sense of déjà-vu in your report as the business of trade representation has been examined on several occasions in the past. The logical conclusion of the "bigger is better" argument is that companies become direct members of the Confederation of British Industry and that the specialist sec*tor associations close down.* This might suit Mr Heseltine's mandarins but nobody else!

Moira T McMillan,
director,
Paintmakers' Association,
93 Albert Embankment,
London SE1 7TY

Unilever chief urges industry to endorse Maastricht ratification

From Mr Michael Perry.

Sir, I write to express Unilever's views on the ratification of the Maastricht treaty.

We strongly believe that ratification should be firmly endorsed by business and industry throughout Europe, and that organisations within member states, such as the *Confederation of British Indus*try, should actively support their governments through the local ratification process.

Unilever is a global business, but some 60 per cent of our sales still take place within our European heartland. Unilever believes that failure to ratify the Maastricht treaty would represent a big setback in the continuous process of establishing a strong and competitive Europe within the world economic order.

The formalisation of the single European market in Janu*ary 1993 represents a new mile*stone in the rationalisation of our European markets, and it will undoubtedly bring significant benefits to our customers throughout Europe, notably in the form of greater efficiencies and reduced costs.

The Maastricht treaty, as now drafted, builds on that achievement. Specifically, it provides for the evolution of a political and monetary framework which will enhance and enable the even more effective working of the single European market. Like all such treaties, it embodies compromises and trade-offs designed to address the circumstances and concerns of individual member states. Taken as a whole, however, it is undoubtedly good for Europe.

As a leading international company with a base in the UK, Unilever would also wish to make its views clear on the British position. We note the specific exceptions which were negotiated by the prime minister at Maastricht, and we believe they address widely held British views. The treaty is good for Britain and we should endorse it.

More important, however, is the fact that if the process of ratification in Britain were to fail, the position of Britain within Europe would be gravely damaged. Whether or not other member states decided to proceed without us, our political and economic isolation would increase dramatically, and our business competitiveness both within Europe and in world markets would be seriously threatened. Britain's status as a preferred location for inward investment to Europe would be at risk, and the competitiveness of our goods and services in world markets would be progressively eroded.

Seen from a world perspective, Britain is self-evidently a part of Europe, and our future is heavily dependent on forging ever stronger economic links with our European neighbours.

Michael Perry,
chairman,
Unilever,
Unilever House,
Blackfriars, London EC4P 4BQ

Free from football 'slavery'

From Dr A J Berry.

Sir, Many football supporters, and perhaps some managers, might occasionally recognise Observer's description of some football players as intangible assets ("Numbers game", October 7).

However, the assertion that investors "own" 197p of players for each share seems to contravene the anti-slavery laws, where it becomes illegal for one person to "own" another person. A great deal of the impetus for human asset accounting failed the anti-slavery test.

The whole contract-transfer system in football should also be abolished, freeing players to sell themselves in this labour market and encouraging employers to have less owner*ship and perhaps more respect* for the players.

A J Berry,
senior lecturer in
management development,
Manchester Business School,
Booth Street West,
Manchester M15 6PB

A singular fall

From Mr G T Parker.

Sir, Has anybody else detected the subtle aim of the government of achieving a common European currency without all this ERM bother? As soon as £1 is worth DM1, presto, a single currency! At *the current rate of fall of the* pound this should be reached before the year end, quite a breathtaking achievement during the British presidency.

G T Parker,
40 Curtus Road,
Fenham, Newcastle upon Tyne

Outrageous cost of 'just in time'

From Mr James Wimberley.

Sir, Your leader, "Rational roads" (September 29), makes a good case for road pricing but misses one key target. The growth in goods traffic by road is fuelled by the switch to "just-in-time" manufacturing. *A good part of the benefits of* this scheme stem from an outrageous ploy to externalise the costs of stock holding. Firms are in effect dumping their stock costs on the street, where congestion and accidents are paid for by other road users. True economic efficiency calls for fierce charges on goods transport by road, under the slogan: kanban plus vanban!

James Wimberley,
2 rue de Cheverny,
F-67000 Strasbourg,
France

Facing own financial guns

From Mr Jeremy Archer.

Sir, The government of the Irish Republic has announced a support package for those Irish companies adversely affected by the recent sharp appreciation of the Irish punt against sterling ("The ERM and Maastricht", October 6). Among other measures, I£25m of EC structural funds will be made available to "underwrite exporters and those facing competition from the UK".

The UK is the second largest net contributor to the EC budget and so, as well as leaving the ERM with indecent haste, we are now suffering the further indignity of having our own guns turned upon us.

Jeremy Archer,
100 Haldon Road,
London SW18 1QQ

OBSERVER

No retreat for Norman

■ Although the monk's cell was ready and waiting, Norman Lamont has decided not, *after all, to go* into retreat.

The monastic community in question is Mount Athos in northern Greece, where the chancellor of the exchequer had been invited by Greek central bank governor *Efthymios Christodoulou for* a sojourn over the weekend after his make-or-break conference speech.

However tempting the option might have seemed in theory, Lamont declined on the grounds of pressure of work. But in reality he may have been put off by John Gummer who took a trip to Mount Athos recently in the company of Sotiris Kouvelas, minister to the premier's office and reputedly the most devout member of the cabinet.

The community, once a safe but austere refuge for Orthodox Christians in political disgrace, is still no *place for the faint-hearted.* The holy mountain's 20-odd monasteries still run on Byzantine time, which plays havoc with meals. The menu is usually beans and wine – meat is also banned. Pilgrims are supposed to walk from one part of the complex to another.

What's more, there is a strict ban on females of any species, which is more than can be said for the Cambridge Union, where Lamont is billed to speak next Friday on a motion that "Labour and the economy do not mix". Interesting to see whether he cancels this engagement too.

Paltzer's how-to

■ The bottom of a recession would not seem to be the best time to launch yet another Do-It-Yourself magazine on to a depressed UK magazine market. But Swiss born publisher Rolf Paltzer is confident that he's got his timing spot on with his first magazine Here's How.

He's no stranger to British magazines. In the 1980s he turned the women's magazine market on its head when working for Gruner and Jahr, the German publishers. In 1986 he launched Prima and year later Best, proving that a newcomer with a different idea can conquer the competition even in a mature market.

But it is one thing entering the UK market with the backing of a German publishing giant. It is *quite another doing it as an* independent. However, the 42-year-old Paltzer, who quit G&J a couple of years ago, thinks he's spotted a gap: "There's nothing between brick-laying and soft furnishing." The market *is* ready for an idiot-proof guide, he tells me.

High flown

■ Leading citizens of Hong Kong are somewhat bemused by Chris Patten. While basking in esteem as a reforming governor, he has taken to regaling breakfast guests at Government House with a poem – "In a large Greek Colony, 200 BC" – which perhaps suggests that the governor does not expect his popularity to last.

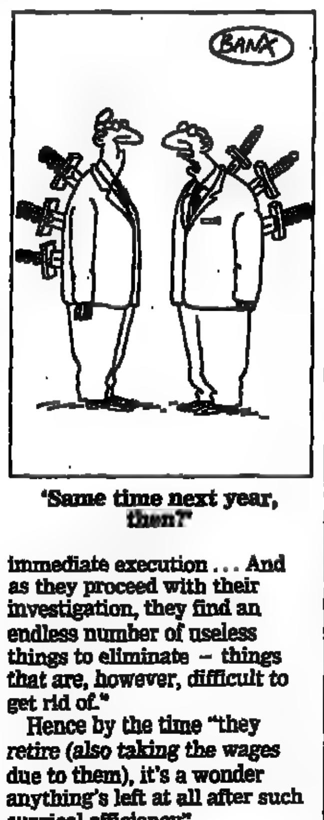
True, the poet – Constantine Cavafy, who died in 1933 – begins by saying "*more than a few believe the* time has come to bring in a political reformer". But he *then* warns that "they make a tremendous fuss about everything," and adds:

"They probe everywhere, question the smallest detail, and right away think up radical changes that demand immediate execution . . . And as they proceed with their investigation, they find an endless number of useless things to eliminate – things that are, however, difficult to get rid of."

Hence by the time "they *retire (also taking the wages* due to them), it's a wonder anything's left at all after such surgical efficiency". Accordingly, the poet concludes, "maybe the moment hasn't arrived yet".

For the benefit of any Government House breakfaster who is treated to Patten's recitation and can't think of a suitable response, Observer has consulted the FT's specialist on clipping culture vultures' wings. The correct reply, he says, is:

"But it doesn't rhyme."



'Same time next year, then?'

Electrifying

■ Remember "roach motels"? They are traps designed to destroy one of the more troublesome inhabitants found in apartment blocks in big cities like New York. "They may check in but they never check out," crowed the advertisers. Unfortunately, the little critters quickly wised up to this trick and far too many failed to check in in the first place.

However, *the roaches of the* industrialised world now face a more frightening enemy – Greg Jeffreys, winner of Australia's Inventor of the Year award. He's sold 10,000 of his Cockroach Zappers at home and is now entering the hugely important Japanese market.

His plan is to *fry* the insects to death with 6,000 volts of electricity. "Controlling cockroaches with chemicals is very inefficient because they are very clever and become immune to poisonous *chemicals very easily,*" *he* says. He is happy to swallow his own bait to prove that it is harmless and stresses that the resulting electric charge is weaker than the static discharged by a woolly sweater.

Biter bit

■ It's not even a dog's life any longer for poor old Ben, erstwhile chief barker at Wern Gounsel Farm in Pandy, Wales. His kennel has been taken over by a ewe called Daisy who, having been adopted as a pet lamb a year ago, has grown up convinced she is a fellow-hound.

"Now she won't stay in the field with the other sheep," says her owner Jayne Shields. "When it rains she grabs Ben by his ear and *pulls him out* of his kennel so that she can shelter."

Pat answer

■ Walking into a bank in Dublin, the Englishman asked to change sterling into punts.

"So it's some hard currency you're after having," came the reply.

FINANCIAL TIMES
Friday October 9 1992

Federal Reserve says signs of economic slowdown remain inconclusive

US rate cut unlikely before poll

By Michael Prowse in Washington

THE US Federal Reserve is unlikely to cut interest rates before the presidential election on November 3 because it regards as inconclusive recent signs of economic slowdown.

Recent figures confirm that economic growth is not accelerating, as forecast, but they do not point conclusively to a fresh slowdown, a senior Fed official said.

The official said relatively strong figures for car, truck and retail sales conflicted with other evidence of economic weakness, such as last week's poor employment data. He said the most likely prospect was for a continuation of growth in the 1-2 per cent range. But he conceded that such sluggish growth might result in a further increase in unemployment in coming months.

A cut in US rates was widely expected in financial markets this week after a string of disappointing economic reports, including falls in industrial orders, consumer confidence and employment.

The Fed's decision not to cut rates probably also reflected a desire not to appear partisan in the approach to the presidential election or to cause further turbulence in currency markets, where the dollar remains weak.

The official said much of the dollar's weakness reflected temporary interest rate differentials and was not a source of concern in the longer term.

He was sceptical of the merits of a short-term fiscal boost to "kick start" the economy, even if it were linked to longer-term fiscal restraint.

The main factor depressing economic growth was balance sheet strains, reflecting high debts accumulated in the 1980s to buy assets, principally real estate, that had since fallen in value. The need to rebuild savings and reduce debts had diverted purchasing power and meant there was no way of avoiding a lengthy adjustment period, he said.

Reductions in long-term bond yields would do far more to stimulate the economy than further cuts in short-term rates, which were already down to 3 per cent.

Long-term rates were high mainly because markets were worried by the US's large budget deficit and by the risk that inflation would rise in a few years.

The official said long-term rates could fall as much as 1.5 percentage points, to about 6 per cent, if agreement could be reached on a fiscal package involving statutory reductions in "entitlement" programmes such as health care.

The official defended the Fed's "gradualist" policy of lowering interest rates. He said the Fed could not have moved more aggressively for fear of raising inflationary fears.

Gorbachev criticises Yeltsin for raid on his institute

By Chrystia Freeland in Moscow

MR MIKHAIL GORBACHEV, the former Soviet president, yesterday accused his successor Mr Boris Yeltsin of "authoritarian tendencies" after an early morning raid on his institute which his aides described as "the second October revolution".

"This is an act of political revenge," Mr Gorbachev told journalists yesterday, after he and a few assistants managed to force their way into the graceful, parquet-floored building from which his Gorbachev Foundation is being ousted. The former leader said the move exemplified "the increasingly authoritarian tendencies of today's leaders".

The eviction, ordered by decree by the Russian president on Wednesday night, followed Mr Gorbachev's declaration in a Russian newspaper interview that Mr Yeltsin was "clearly not coping with his duties".

Mr Gorbachev learned his foundation was to be displaced by a new academy for financiers when he turned on his television on Wednesday night.

Then early yesterday morning, Mr Arkady Murashov, the Moscow chief of police, with three busloads of municipal police and, according to the newspaper Izvestia, the Omon anti-riot forces, blocked all entrances to Mr Gorbachev's premises. The police sealed off the accounts and storerooms of the building, leading Mr Gorbachev to joke that they might be seeking the gold and dollar reserves allegedly stolen by the now disbanded Communist party.

Speaking after the police action, Mr Gorbachev said: "This is an effort to step on Gorbachev's heels, to always whisper in his ear 'Watch out, we will put you in your place.'"

Mr Alexander Poklad, a Yeltsin spokesman, said that Mr Yeltsin was "above petty recriminations" and would not respond to Mr Gorbachev's charges. He claimed that the only objective of the presidential decree was to secure more space for the vital task of training financial specialists.

However, Mr Yeltsin's tough action highlights his tendency to hold personal grudges and resolve troublesome issues by presidential fiat.

Mr Gorbachev, who is barred from leaving the country because of his refusal to answer a second summons by the constitutional court in its inquest into the Communist party, was deprived of his black limousine when he attacked Mr Yeltsin's economic performance earlier this year.

The former leader, who in the past was equally capable of dealing humiliating blows to his protégé who became his rival, has gained some public sympathy as a result of the high-handedness of Mr Yeltsin's actions and the hardships caused by his economic reforms.

But Mr Gorbachev, claiming that ordinary Russians had criticised him for "not putting today's leaders in their place", quashed suggestions of a political comeback because, he said, "Russia today does not have the luxury to change political leaders."

Out in the cold: Mikhail Gorbachev is barred from his institute by armed police after refusing to attend the constitutional court for its inquest into the Communist party

UN chief warns of Bosnia deaths

By Laura Silber in Belgrade and Michael Littlejohns in New York

THE commander of UN forces in Bosnia yesterday warned of a race against time to prevent the deaths of up to 400,000 people this winter as Bosnian officials said there had been 15,284 deaths in the six-month war in the former Yugoslav republic.

General Philippe Morillon, the French commander, said repairs of water, electricity and roads were a priority of UN peacekeepers, who are due to be boosted by about 6,000 additional troops by late November.

He restated that the UN Protection Force was prepared to fire in self-defence and in protection of civilian technicians. Bosnian Serb leaders have pledged to respect the agreement to allow the UN force to help in repairs to water and power supplies.

The UN Security Council appears ready today to approve a western resolution banning Serbian combat flights over Bosnia-Hercegovina in a measure that could eventually lead to military enforcement.

Britain and France demurred over an initial US proposal to permit the immediate use of allied fighter aircraft to enforce the ban, believing aerial dogfights could place UN peacekeepers at risk as they escorted aid convoys.

Speaking in Belgrade, Gen Morillon said he "believed radar and Awacs would be sufficient control" rather than fighter aircraft. But a western diplomat in Belgrade said Serb forces had used combat aircraft on Wednesday in an attack on Gradacac, the northernmost Moslem stronghold in Bosnia.

Under the resolution agreed among the three powers, the Security Council would undertake to "consider urgently the further measures necessary to enforce this ban" only in the event that it was contravened by Serbian aircraft.

There is provision for monitoring of the no-fly order by UN forces, "including the placement of observers where necessary at airfields in the territory of former Yugoslavia."

UN troops would have the further responsibility of scrutinising and approving the purpose of flights to and from Bosnia-Hercegovina other than those specifically banned.

The council would call upon states to take nationally, or "through regional agencies or arrangements", all measures needed to assist the UN force with technical monitoring and other capabilities.

Diplomats said this was an invitation to the US and its allies to provide high technology facilities such as satellites, advanced warning and other reconnaissance aircraft to ensure that the Serbs observed the UN order.

UK opts to target long-term inflation

Continued from Page 1

spending negotiations, said that public sector pay awards would bear much of the squeeze.

He said that the exchange rate – measured by its index against a basket of currencies – would remain a significant factor in interest rates decisions. But he stressed that there would be no specific target for the rate against individual currencies.

The chancellor said that the conditions for ERM re-entry – an end to the turbulence on foreign exchange markets, changes to the operation of the system and closer realignment of the economic cycles in Germany and Britain – "are unlikely to be satisfied soon".

In the interim, the Treasury would look at a range of indicators including M0 and M4, the narrow and broad money supply measures, as well movements in the prices of assets such as houses.

Mr Lamont conceded that inflation might on occasion burst out of the prescribed range but pledged that, in those circumstances, the government "would have a duty to explain" why it had happened and how it would be rectified.

Turning to interest rates, Mr Lamont said that the one point cut to 9 per cent in the wake of sterling's departure from the ERM had been justified by the inflation outlook. His speech did not exclude a further modest reduction but he stressed: "In the months ahead I must continue to fight the battle against inflation and take no risks."

Mr Lamont left the platform uncertain whether he had restored his authority. After a debate which saw a chorus of calls from party activists for drastic reductions in interest rates to pull the economy out of recession, colleagues were reluctant to rule out a reshuffle which would see Mr Lamont move from the Treasury during the first half of next year.

Currencies

Continued from Page 1

tion, current accounts and short-term deposits – should be regarded as the most important indicator of monetary stability.

In his speech yesterday, Mr Gaddum reasserted the bank's strategy: to steer money supply growth rates back into the target range of 3.5 per cent to 5.5 per cent a year, and reduce inflation.

However, he warned, it would not be possible to meet money growth targets this year.

After running at 9 per cent in August, growth in the main M3 measure was further accelerated by the bank's interventions during the recent currency crisis.

World Weather

		°C	°F			°C	°F			°C	°F			°C	°F			°C	°F			°C	°F
				Boulogne	C	15	59	Frankfurt	C	15	59	Majorca	F	23	73	Oporto	S	21	70	Tenerife	S	24	75
				Brussels	F	13	55	Geneva	F	16	61	Malaga	R	19	66	Oslo	C	14	57	Tokyo	C	19	66
				Budapest	F	16	61	Gibraltar	F	18	64	Malta	S	27	81	Paris	C	15	59	Toronto †	F	7	45
Ajaccio	F	21	70	Buenos Aires		–	–	Glasgow	S	14	57	Manila	C	33	91	Prague	S	14	57	Tunis	S	26	79
Algiers	F	30	86	Cairo	S	33	91	Helsinki	R	10	50	Melbourne	R	14	57	Reykjavik	S	8	46	Valencia	S	19	66
Amsterdam	C	13	55	Cape Town	C	16	61	Hong Kong		–	–	Mexico City		–	–	Rhodes	S	26	79	Venice	F	18	64
Athens	S	27	81	Caracas	F	28	82	Innsbruck	S	17	63	Miami †	S	22	72	Rio de Janeiro	C	28	82	Vienna	F	15	59
Bahrain	S	35	95	Casablanca †	F	22	72	Inverness	C	14	57	Milan	F	18	64	Rome	S	24	75	Warsaw	S	11	52
Bangkok	F	33	91	Chicago †	C	13	55	Islamabad	C	24	75	Montreal †	S	8	46	Salzburg	F	17	63	Washington †	C	11	52
Barcelona	F	05	08	Cologne	C	13	55	Istanbul	F	23	73	Moscow	C	4	39	S'Francisco †	S	16	61	Zurich	C	14	57
Beijing	S	25	77	Copenhagen	S	15	59	Jakarta	R	32	90	Munich	C	15	59	Seoul	F	18	64				
Beirut	S	26	79	Corfu	S	26	79	Johannesburg		–	–	Nairobi	F	26	79	Singapore		–	–				
Belfast	C	12	54	Dallas †	S	9	48	Lisbon	F	18	64	Naples	F	24	75	Stockholm	F	14	57				
Belgrade		–	–	Dublin	C	10	50	London	C	12	54	Nassau	F	31	87	Strasbourg	C	16	61				
Berlin	C	11	52	Dubrovnik		–	–	Los Angeles †	F	17	63	New Delhi	S	31	88	Sydney	F	19	66				
Biarritz	F	18	64	Edinburgh	S	13	55	Luxembourg	C	13	55	New York		–	–	Taipei	F	26	79				
Bombay	S	34	93	Faro	S	20	68	Madeira	F	23	73	Nice	F	21	70	Tangier	S	21	70				
Bordeaux	C	15	59	Florence	S	22	72	Madrid	F	19	66	Nicosia	S	29	84	Tel Aviv	S	29	84				

Temperatures at midday yesterday
† Noon GMT temperatures
C – Cloudy Dr – Drizzle
F – Fair Fg – Fog H – Hail
R – Rain S – Sunny
Sl – Sleet Sn – Snow
T – Thunder

THE LEX COLUMN

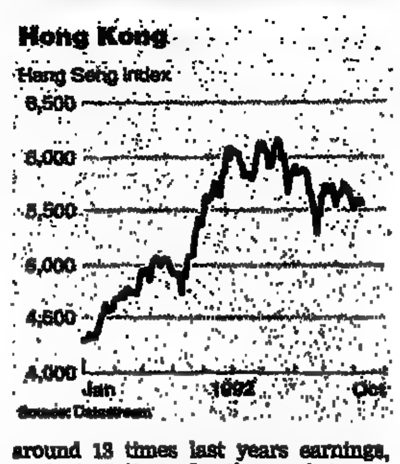
Soft targets

Remember the promise to balance the budget over the cycle? Or the vehement assertion of no devaluation? Well, now the chancellor has presented us with a formal inflation target. As of August, the UK did not meet it. Today's figures for September may conceivably fall within the range, but only just, despite the severity of the recession. The rest of yesterday's statement contained little new to fill the policy vacuum. The government has left itself free to look at everything and pay attention to nothing in deciding policy, though, as the markets had already come to suspect, there is clearly no chance now of a dash for growth.

That is not encouraging for equities, though it should be positive both for sterling and for the long end of the gilt market which duly responded by rallying a point. While the chancellor's fumbling presentation leaves a great deal unanswered about the longer term policy mix, the inflation threat from devaluation will remain muted while economic activity remains so depressed. Any immediate blip in prices can be excused, as the Treasury statement implies, on the grounds of changing terms of trade. There is time to sort out the budget, especially from behind the shelter of relatively high interest rates.

The real credibility test for the inflation target will come only after recovery has begun. The government would need a better articulated and more predictable policy. Then again, there is perhaps no hurry. Devaluation may have made UK exports more competitive, but overseas markets are weak. Mr Lamont has not done much yet to secure growth.

FT-SE Index: 2538.8 (+21.7)



Equity indices

On an optimistic reading of the economic cycle, this is an auspicious moment to launch an index of medium-sized companies. Having been roundly out-performed by the bigger FT-SE 100 stocks over the past three years, companies in the new Mid 250 index should recover the lost ground during an upswing. For one thing, the new index is weighted in favour of sectors such as engineering and construction which are geared to domestic recovery. Midcap stocks are also, on average, more heavily borrowed and stand to benefit particularly from lower short-term interest rates.

Indeed, on most conventional valuations Mid 250 stocks look cheap: the index is trading on a multiple of around 13 times last years earnings, against 15 times for the market as a whole. The US experience, though, suggests medium-sized stocks are vulnerable to disenchantment even in the early stages of recovery. The Standard & Poor's Midcap index outpaced the S&P 500 during 1991 in anticipation of the turn, but has fallen behind this year. With this in mind, UK institutions may be wary of buying an index which contains a fair few troubled former FT-SE 100 stocks until there are clear signs of a domestic upturn.

There is also a penalty in terms of higher trading costs. The average dealing spread for Mid 250 stocks is some 75 per cent higher than for FT-SE 100 shares. That said, there must be a fair chance that higher trading volume in mid-sized stocks will encourage tighter spreads.

UK electricity

Mr Stephen Littlechild, the electricity watchdog, is struggling with some knotty issues. His paper on future supply regulation invites submissions on alternatives to the price control RPI-X formula. But in the same breath it appears to dismiss the main possibilities, such as rate of return regulation. Perhaps this is not surprising. Mr Littlechild has been closely identified with the development of the RPI-X regime and might be expected to defend it.

Price control does indeed provide efficiency incentives which other systems lack. Yet a rate of return is implicit in assumptions made about any price cap and the reasonable efficiency gains a company can make. Thus the price control ought to be pitched at a level to make the implied rate of return comparable to that of similar businesses. Rate of return cannot simply be ignored.

The RPI-X system functions well enough for the business of transmitting power down the wires: a natural monopoly from which the regional electricity companies earn almost 95 per cent of their profits. Supply – the buying and selling of electricity – is not naturally a monopoly. With more competition, price regulation could be abandoned for all but domestic customers. Unfortunately supply is a low margin business, so to lure new entrants Mr Littlechild may be tempted to sweeten supply returns at the expense of distribution. British Gas must be watching keenly. The issues of acceptable rate of return and the balance of distribution and supply are at the heart of its Monopolies and Mergers Commission reference.

Hong Kong

Beijing's reaction to Mr Patten's proposals for greater democracy is merely one of several uncertainties overshadowing Hong Kong at the moment. The bitter dispute over US access to Chinese markets, foot-dragging over Hong Kong's new airport, and the outcome of the US presidential election are issues of at least equal importance to stock market investors.

For this reason the next few weeks may well provide a rollercoaster ride even by the colony's normally exciting standards. The immediate fall-out from Mr Patten was restricted to a 33 point fall in the Hang Seng – but much depends on what sort of a rocket he receives when he visits the mainland later this month. The trade issue comes to a head this weekend. While the betting must be on a peaceful settlement, shares will be marked sharply lower if US sanctions are imposed. The reality, if it comes, of a protectionist President Clinton would be another jolt to local sentiment.

The question is how far investors will set aside short term concerns and concentrate on China's long term potential as the engine of Hong Kong's continued growth. There remains the virtuous combination for equities of high inflation and cheap money, though as Europeans know such a mixture cannot last forever. The danger signs will flash when US interest rates begin to rise. But on the assumption that this is yet some way off, there could be another leg to the bull market around the turn of the year.

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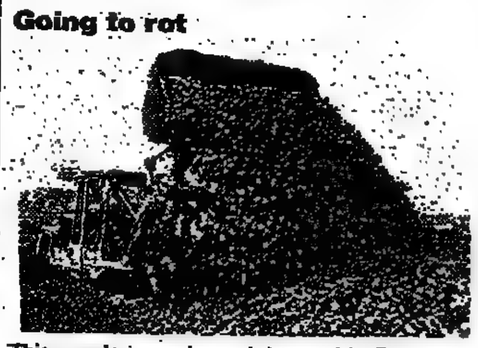
INSIDE

KIO offers property stake for debt

The Kuwait Investment Office (KIO) is to write off its property investments in Spain and ask creditor banks to take over its 34 per cent stake in Prima Inmobiliaria, the domestic property developer, as payment for debts. Page 18

Going to rot



This year's record peach harvest in Greece has also led to a record surplus – more than half of the crop goes straight from the orchard to the dump. Page 24

Discount brokers tied up

Last month the share price of Charles Schwab, the biggest discount broker in the US, plunged more than 20 per cent after a warning that third-quarter profits would be much lower than expected. Although the warning surprised investors, it should not have come as a shock to anyone who understands discount brokers and how tightly they are tied to market cycles. Page 19

Tough act to follow

The founder and chairman of South Korea's Pohang Iron and Steel Company (Posco), the world's third largest steelmaker, this week suddenly announced his resignation as Posco was preparing to offer shares to the public for the first time. Whoever is selected to replace Mr Park Tae-joon (left) will have a hard time matching his reputation as one of South Korea's best corporate leaders. Page 19

Compaq to lay off 10% of staff

Compaq Computer announced it will lay off about 10 per cent of its worldwide workforce, or 1,000 staff. The lay-offs come in spite of record revenues and unit shipments in the third quarter. Page 19

Inscrutable Germans

There are times when watching the German central bank "makes the ancient art of Kremlinology look like child's play", according to one observer of the Bundesbank. Page 20

Acquisitions boost Bowthorpe

Bowthorpe, the international electronic and electrical components group, reported a 5.3 per cent rise in interim pre-tax profits, buoyed by acquisitions in the UK and improved sales penetration in the US. Page 21

Market Statistics

Companies in this issue

Chief price changes yesterday

FRANKFURT (DM)

Rises			
Altana	152	+	11
Bill & Berger	861	+	31
Hochtief	955	+	33
Varta	257	+	6
Falls			
Gerresheimer	214	–	4.5
PWA	159	–	7

NEW YORK ($)

Rises			
Best Buy	25⅛	+	2
Compaq	35⅜	+	1⅞
Fannie Mae	64½	+	1⅛
USAir	12	+	½
Wal-Mart	58	+	½
Falls			
Westinghouse	14⅞	–	1⅛

New York prices at 12.30.

PARIS (FFr)

Rises			
Axa	719	+	35
Falls			
Auxil Entrepr	702	–	43
Cogifi	293	–	21
Euro RSCG	488	–	11.5
Imm de France	709	–	11
Valeo	854	–	26

TOKYO (Yen)

Rises			
Joel	695	+	65
Nasu Denki	1060	+	100
Nippon Carbide	510	+	49
Shikibo	335	+	69
Falls			
Oriental Photo	215	–	19
Nippon Kinzoku	460	–	39

LONDON (Pence)

Rises			
Blacks Leis	37	+	4
Bradford Prop	140	+	5
Capita	367	+	30
Clissing Prop	27	+	4
European Mtr	81	+	8
ML Labs	740	+	30
Plaxo Intl	26	+	4
Savills	28	+	3
Wellcome	975	+	27
Whitecroft	21	+	5

Falls			
Acorn Computer	36¼	–	5¾
Albrighton	9	–	2
Clarkson (H)	46	–	16
Higgs & Hill	36	–	2
Ibstock Johnsn	45	–	4
Laird	244	–	15
Lonrho	59	–	6
Wickes	79	–	6

Ciments Français losses may stem from share deals

By Haig Simonian in Milan and Alice Rawsthorn in Paris

THE off-balance sheet losses suffered by Ciments Français of France, the French cement maker being taken over by Italy's Italcementi group, are thought to have stemmed from agreements to repurchase shares in the company's foreign subsidiaries.

Details are not available about the size, timing or location of the transactions. However, they are believed to have taken place after the French group's recent international expansion.

On Wednesday Ciments Français admitted to losses on off-balance sheet financial dealing. Mr Pierre Conso resigned as chairman following an emergency board meeting.

The transactions, thought to have been known to a very small group of managers, involved selling shares in mostly foreign subsidiaries for cash, subject to an agreement to repurchase them later. The arrangements were made with a variety of third parties, including banks.

Italcementi announced the surprise acquisition of a 34 per cent stake in Ciments Français last April, in a deal lauded in Italy after a string of unsuccessful cross-border takeover attempts by other Italian groups.

However, while investors welcomed the continuing international expansion of Italcementi, many were unhappy about the terms of a linked rights and convertible bond issue to finance the transaction, while a share placing by Ciments Français in July was poorly received in the French market.

Ciments Français, which is the subject of a "due diligence" examination by KPMG, the international accounting and consulting group employed by Italcementi, is believed to have used both the cash and interest from the repurchase arrangements.

The French group is reviewing its accounts for the first half of the year following disclosure of the losses. Having expected to publish its interim results almost two weeks ago, it will not now release official first half figures until next month at the earliest.

The board is expected to examine outline results when it meets later this month. Ciments Français, which earlier this week postponed an analysts' meeting, said the situation was still uncertain and it could not give a definite date as to when the interim results – showing the full extent of the off-balance sheet losses – would be available.

World stock markets, Back Page

BNP provisions force first-half result down 13.4%

By Alice Rawsthorn in Paris

BANQUE Nationale de Paris (BNP) yesterday added to the stream of disappointing interim results from France's big banks by announcing a fall in first-half profits.

BNP, like other French banks, was affected in the first half by the economic slowdown and by the need to raise provisions, mainly because of the depressed state of the French property market. As a result its net profits fell 13.4 per cent to FFr1.33bn ($271m) in the first six months of this year, from FFr1.54bn in the same period of 1991.

Mr René Thomas, who was this summer reappointed as the state-controlled bank's chairman in spite of approaching the mandatory retirement age, said banking had become "a dangerous business" in the current uncertain economic climate.

The French banking sector, in which BNP is the third largest, has become increasingly competitive in recent years. This is partly because the market is over-crowded and partly because the relatively high level of French interest rates in the late 1980s and early 1990s has damped demand for consumer and corporate credit.

BNP has been in the vanguard of the attempts by French banks to try to improve their competitiveness by cutting costs. It managed to contain the increase in its own overheads to just 1.9 per cent in the first half – with FFr13.88bn, against FFr13.61bn in the first six months of 1991 – thanks to its cost control programme.

The increase in BNP's costs was below both France's annual inflation rate – at around 3 per cent – and its 3.3 per cent increase in first-half net banking income to FFr19.48bn from FFr18.86bn. As a result operating profits rose 6.8 per cent to FFr5.61bn from FFr5.25bn.

However, BNP was also forced to raise provisions by 13.6 per cent to FFr4.11bn from FFr3.62bn because of the impact of the economic slowdown on its property holdings and its corporate loans. Mr Thomas warned that the situation was unlikely to improve in the second half.

● Local de France (CLF), the French bank which last autumn became the first candidate for the government's partial privatisation programme, expects to increase net profits by up to 10 per cent this year, according to Mr Pierre Richard, chairman.

CLF recently announced a 8 per cent rise in net profits to FFr663.9m.

Hongkong Land set to fall short of target stake in Trafalgar

By Roland Rudd and Andrew Taylor in London

HONGKONG Land is expected to fall far short of the 29.9 per cent stake it hoped to acquire in Trafalgar House, the property, construction and engineering group, when it announces the result of its tender offer later today.

Four of Trafalgar's biggest institutional shareholders yesterday said they had decided not to sell any more shares; a further two said they were unlikely to sell; while one confirmed that it sold its stake last week.

Hongkong Land, one of the colony's leading property investment and development companies, has acquired 14.9 per cent of Trafalgar and is tendering for another 15 per cent. It has until 4.30pm today to increase its stake to 29.9 per cent.

Trafalgar's ordinary and A shares yesterday closed at 86½p and 83½p respectively – above Hongkong Land's offer price of 85p per ordinary share and 82p per A share.

The group yesterday said that its board would discuss the succession to Sir Nigel Broackes, chairman, and Sir Eric Parker, chief executive, soon after the close of today's tender offer.

While the board has not yet discussed possible replacements, Trafalgar confirmed that Mr Allan Gormly, head of the group's engineering division, is the favourite to replace Sir Eric as chief executive.

The move is designed to assure shareholders that the group's strategy and management was already changing before Hongkong Land launched its attempt to control 29.9 per cent of the group.

In a circular to shareholders earlier this week, Sir Nigel said the group has been "considering for some time management succession plans for senior positions in the company".

This would be in addition to the appointment of extra non-executive directors.

The performance of Sir Nigel and Sir Eric has recently been criticised by some of the group's institutional shareholders.

One shareholder said it believed that Hongkong Land was hoping to get at least another 5.1 per cent of the stock to get it over the psychological 20 per cent barrier.

Lex, Page 16

Nikki Tait and Michael Skapinker on the worldwide effects of a startling decision by the US hotel operating giant

Marriott acts smart to grow in lean times

Few companies have better illustrated the change from 1980s riches to 1990s rags than Marriott Corporation, one of the largest US hotel operators.

For much of the 1980s, the group powered ahead, posting annual earnings gains that were usually in the high teens and sometimes more than 20 per cent. However last year the group made an after-tax profit of only $82m compared with more than $232m in 1988.

Marriott's announcement this week that it is splitting its hotel management operations and property assets into two separately quoted companies is an attempt to find a way to expand in straitened times. It has implications for hotel companies worldwide.

In the US, hotel companies have traditionally found investors to buy properties which the hoteliers could then run. In Europe, hotel groups have tended to own or lease properties themselves. The downturn in the US and UK property markets and tax changes in the US have made both strategies less attractive.

During the 1980s, Marriott effectively became a property development company, building hotels, then recovering its investment by selling these to limited partnerships which used the start-up losses as a tax write-off. Marriott retained operating control of the new hotel assets.

Today, the group operates more than 700 hotels or motels, from luxury properties to the budget Fairfield Inn chain. That compares with less than 100 properties in the early 1980s.

Unfortunately for Marriott, a change in US tax law curtailed the use of such development financing methods in the late 1980s. Then as the decade turned, the good times halted decisively when the US property market collapsed. Marriott shares slumped from more than $40 in 1989, to less than $9 in 1990. At one stage, a serious financial threat overshadowed the group.

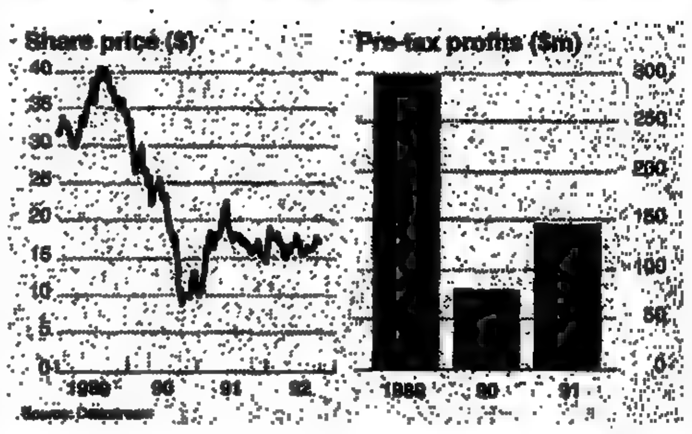
Since then, Marriott has struggled to become a more conservative company in the face of a hotel market laden with overcapacity. The company suspended new hotel building in 1990 and shed non-core assets, such as airline catering and its fast food and restaurants business.

Marriott's rebirth has not been made easier by the dearth of buyers for hotel property assets; by a long-term debt burden which still amounts to almost $3bn; nor by the general economic recession which has curtailed business travel and holiday spending and has led to cut-throat competition in the travel industry.

Against this background, it is easy to understand why Wall Street should have welcomed the demerger plan, marking the shares almost 9 per cent higher. In essence, the scheme will place the $3bn long-term debt, most of the property assets, and the group's airport and toll road concessions in one quoted company, Host Marriott. A second, separate company – called Marriott International – will contain the hotel management operations.

In the short term, the latter is clearly a more attractive creature. Marriott argues that there are "properties available for management at substantially less than it costs to build". Marriott International, with pro forma sales of $7.4bn last year and operating cash flow of nearly $500m, should be well placed to expand. A lightly leveraged business with solid profits, it should have fairly easy access to credit markets if it needs to raise more capital. As Ms Margo Vignola at Salomon Brothers in New York says: "In this way, Marriott International could take advantage of domestic and global opportunities without the hobbling overhang of real estate and its cost." The difficulty is that if hotel groups do not wish to buy property themselves, they need to find someone else who will do so and award them the contract to run the establishments.

Marriott



Some hotel groups believe the way ahead is to find franchisees willing to use their brands and pay franchise fees

Mr Paul Slattery of Kleinwort Benson in London says: "I can't identify at the moment any significant appetite for people to own the properties. I can't tell you of any major institution that wants to go into hotel ownership."

Hotel groups refuse to accept that the situation is so dire. Mr Michael Hirst, chairman of Hilton International, owned by Ladbroke of the UK, says hotels, which still have a reasonable level of occupancy, are a better bet for property investors than office blocks, which are standing empty, or shopping malls.

Mr Hirst says Hilton believes there is scope to expand through a variety of means. "We adopt a very flexible approach," he says. Of its 157 hotels, 92 are wholly owned or leased. It has contracts to operate 50 hotels on behalf of owners. In the case of 15 hotels, Hilton has partial ownership. Mr Hirst says: "There are management contracts available in Europe if you're prepared to take some equity investment."

Late last year Hilton bought the Dom Hotel in east Berlin, now the Berlin Hilton. A month later, it sold a 60 per cent stake to an unnamed buyer and retained the management contract. Hilton has acquired long-term leases on hotels in Weimar and Dresden, offering the owners payments, tied to business performance, in addition to the rent.

Mr Slattery says US-owned hotel companies will find the idea of taking even partial stakes in the properties they manage unattractive, because of less favourable US tax regulations.

Some hotel groups believe the way ahead is to find franchisees willing to use their brands and pay franchise fees without demanding property investment. Marriott this year saw its name on 15 UK hotels thanks to a franchise agreement with Scott's Hospitality, a Canadian company, which owns and manages them.

Holiday Inn, owned by Bass of the UK, says 85 per cent of the 1,700 hotels that bear its name are run by franchisees. Mr Hamish Swan, vice-chairman, says that persuading hotels to conclude franchise agreements will be its primary route to European growth. There are, he argues, a large number of privately held or family owned European hotels that would want to adopt an internationally known brand and gain access to Holiday Inn's worldwide reservation system.

Murdoch in joint venture to develop TV services

By Raymond Snoddy in London

MR RUPERT MURDOCH, chairman of News Corporation, the media group, and Mr Andre Rousselet, chairman of Canal Plus, the French pay television service, are setting up a partnership to develop new television services across Europe.

The 50-50 partnership between Europe's two largest subscription television companies is designed to take advantage of "future technologies in satellite transmission, digital compression and encryption".

Engineers are increasingly optimistic that digital compression can be used to squeeze up to four television channels into the space now occupied by one. Encryption, or scrambling, of the television picture can be used to run pay-per-view services – charging to view a film or sporting event.

A working group of senior executives of the two companies has been set up to work out an agreement on programming, technology and strategy.

In each European country, including the UK, the aim would be link up with a large local company to distribute any new services created.

Canal Plus claims a total of 4.5m subscribers to its pay television channels in France, Germany, Spain, Belgium and western Africa.

● Cable News Network and Financial Times Television said yesterday that from the end of this year they would no longer jointly produce World Business Today. FT-TV, which will continue making a range of business programmes, apparently wanted a five-year deal with CNN, but the US company did not.

KIO to write off Spanish property investments

By Tom Burns in Madrid

THE Kuwait Investment Office (KIO) is to write-off its property investments in Spain and ask creditor banks to take over its 34 per cent stake in Prima Inmobiliaria, the domestic property developer, as payment for its debts.

This will fuel the controversy that has surrounded the KIO in Spain since last July when Ercros, its Spanish domestic chemicals arm, went into receivership. The KIO has earlier changed and stopped the flow of funds to Spanish assets.

A spokesman for Grupo Torras, the KIO's holding company in Spain, said yesterday: "We cannot make Prima viable in the present environment". He said Torras would offer the banks its shareholding for a symbolic one peseta and ask them to take over the running of the company.

Prima's debts with some 60 creditor banks total Pta57bn ($555m), according to Torras, and more than half of it is secured against properties owned by the developer. In early August, the KIO, which had temporarily ceased paying interest on the Prima debt, resumed payments under a two-month moratorium plan.

An initial angry reaction to the KIO's write-off came from the state-owned Argentaria banking group, which has Pta1.6bn of outstanding credit with Prima. An Argentaria spokesman said: "We are not interested in a debt-for-equity swap. We want to realise our loan and Prima's chief shareholder has sufficient funds to pay up."

The KIO said two weeks ago it would pump $1bn into its Spanish assets and convert $1.4bn of the Torras holding company debt into capital but it did not include Prima as a recipient of the new funds.

The KIO said the Torras Papel paper group would receive $400m as part of a rescue plan and it is thought that further funds could be made available to Ercros, whose troubled fertiliser business the KIO hopes to sell to Freeport McMoRan of the US.

Prima's collapse has been triggered by its huge investment in two skyscraper blocks in Madrid. Some $500m of the debt has been incurred by this project, due to be completed by the end of1993.

The Torras spokesman said the property values in the area surrounding the twin towers had fallen so steeply that they now represented half of what it had cost to build them.

The row that is now brewing between Prima and its creditors will focus on the depressed value of the assets but it is also likely to include the extent of the KIO's stake in the property developer.

Hachette accuses Havas of share move

By Alice Rawsthorn in Paris

HACHETTE, the heavily-indebted French media group, has accused Havas, one of its strongest competitors in the French media market, of having secretly bought up a sizeable block of its shares.

Since the start of this week, Hachette's shares have risen sharply. The shares yesterday rose by FFr16.8 to FFr158.7, a leap of 11.8 per cent on the day. This followed brisk dealing on Tuesday and Wednesday when 615,800 shares were traded representing 3.1 per cent of the company. Hachette's shares started the week at just FFr115.7.

Initially the rise in Hachette's share price was attributed to market speculation ahead of the announcement of the financial terms for its proposed merger with Matra, the defence electronics concern which, like Hachette, is chaired by Mr Jean-Luc Lagardère and controlled by his family.

Hachette yesterday said its sources suggested Havas had been buying the shares.

Hachette made a net loss of FFr1.93bn in 1991. But the company is effectively bid-proof given that Marlis, which is controlled by the Lagardère family, holds 51.3 per cent of its equity and 69.4 per cent of its voting shares.

SKF to sell stake in CTT Tools

By Christopher Brown-Humes in Stockholm

SKF, the Swedish roller bearing group, has reached preliminary agreement to sell an 80 per cent stake in CTT Tools, the world's leading supplier of high-speed steel cutting tools, to Sandvik Coromant.

Terms for the deal have not been finalised, but analysts suggest CTT as a whole is worth some SKr1.2bn ($220m).

The acquisition would complement Sandvik Cormorant's operations in cemented carbide tools, giving the group an estimated 13 per cent share of the cutting tools market.

Mr Clas Ake Hedstroem, Sandvik Cormorant president, said the acquisition would allow the group to offer clients a broader product range and achieve physical distribution synergies.

Sandvik may also seek to buy the minority 20 per cent stake in CTT held by Germany's Guenther, although discussions have not started.

SKF said it was seeking to sell its CTT stake because it wanted to concentrate on its core roller bearing activities. But analysts also suggest the group's balance sheet is under pressure following its purchase of the special steels company Ovako.

Long-term loans climbed to SKr5.6bn at June 30 from SKr4.4bn at the start of the year.

Frankfurt-based CTT has 3,900 employees, with operations spread across 24 companies in 11 countries. It manufactures and markets cutting tools such as twist drills, taps, dies and milling tools.

Last year, CTT achieved sales of SKr1.9bn and had a loss after financial items of SKr103m. In the first half, the operation incurred a SKr30m loss.

Sandvik Cormorant, part of the Sandvik Group, achieved sales of SKr4.9bn last year.

● Nordic Investment Bank has posted profits at eight months up 26 per cent to SKr32m ($5.87m) from SKr25.4m in the same period in 1991.

The performance of the Helsinki-based bank, owned by the five Nordic countries, stands in sharp contrast to the results of most other major banks in the region, which have been ravaged by high credit losses.

The bank made a charge of only SKr1m in the latest eight months in respect of anticipated loan losses.

Mr Jannik Lindbaek, president, said: "We don't see any immediate risk of credit losses in our portfolio, mainly because of our conservative lending policies."

Charge pushes Orkla into loss

By Karen Fossli in Oslo

ORKLA, the Norwegian diversified foods group, reported a swing into loss of NKr161m ($27.4m) in the first eight months of this year from a NKr472m profit last year, due to a NKr874m charge against accounts on the group's securities portfolio.

A charge of NKr228m represents a special write-down on its stake in Uni Storebrand, Norway's biggest insurer which collapsed into the hands of state administrators in August.

At the end of August the market value of the group's securities portfolio was NKr3.432bn, representing a 14.7 per cent decline since the end of last year.

Group operating profit increased to NKr759m from NKr530m last year, helped by a NKr650m advance to NKr10.99bn in operating revenue. Profits from associated companies rose to NKr85m from NKr20m.

The group's branded consumer goods division lifted operating profit by 46 per cent to NKr627m from NKr429m in last year's comparative period, despite a stagnation in domestic markets growth.

The chemical processing division nearly doubled operating profit to NKr118m from NKr64m, but the improvement was helped by the disposal of a 50 per cent stake in a vanillin plant for which it gave no further details.

Bergesen posts deficit of NKr32m

By Karen Fossli

BERGESEN, Norway's biggest shipping group, plunged into an eight-month pre-tax loss of NKr32m ($5.44m) from a NKr816m profit in the same period last year, and warned of weakness for the remainder of the year. The result was worse than analysts' forecasts.

Bergesen was forced to take a NKr141m loss on its share portfolio due to investments in Den norske Bank, Norway's biggest bank, and Uni Storebrand, the country's biggest insurer which collapsed into the hands of state administrators in August.

The group wrote down the value of DnB's shares to NKr2.50 each but the shares have been trading on the Oslo bourse at under NKr1.50.

At the start of the year the book value of Bergesen's share portfolio was NKr952m but increased to NKr1.05bn by end-August due to investments. However, the market value of the portfolio fell by NKr410m to NKr1.08bn by end-August. Operating profit for shipping plunged to NKr60m from NKr663m while group operating profit fell to NKr61m from NKr679m.

Group operating revenue dropped NKr516m to NKr1.62bn as expenses in the eight-month period rose NKr45m to NKr1.22bn.

UK insurers merge non-life Australian arms

By Kevin Brown in Sydney and Richard Lapper in London

SUN Alliance and Royal Insurance, two of the UK's biggest composite (general and life) insurers are to merge their non-life insurance operations in Australia.

The merged company, which will be 60 per cent owned by Sun Alliance, will be the fourth-largest general insurer in Australia, with premium income of more than A$500m (US$357m) and a market share of more than 6 per cent.

Sun Alliance, the larger of the two, was previously ranked number 11 among general insurers.

The merger follows the acquisition of Australian Eagle by QBE Insurance, the purchase of 75 per cent of GRE by Zurich Australian, and the merger of the recently-privatised New South Wales GIO with the Melbourne-based SIO, owned by the state government of Victoria.

L'Oréal confident of continuing advance

By Alice Rawsthorn in Paris

L'OREAL, the French company which is the world's largest cosmetics group, yesterday announced that it had continued its profits growth during the first half of the year.

The company – with brands such as Lancôme, Ambre Solaire and Giorgio Armani perfume – saw pre-tax profits rise by 16 per cent to FFr2.2bn ($456m) in the first six months of this year. It said it anticipated further profits growth at a similar rate during the second half.

L'Oréal, which has recently been building up its interests in pharmaceuticals to complement its existing business in cosmetics, hair care and fragrances, saw sales rise by 15.6 per cent to FFr19.9bn during the interim period.

The group's sales increased at the slightly slower pace of 10.4 per cent on a strictly comparable basis. L'Oréal said yesterday that its first-half sales had been inflated by the recent acquisition of two laboratories, Delagrange and Delalande, by its Synthélabo pharmaceuticals subsidiary.

Although L'Oréal was confident that it would be able to maintain profits growth at its present level in the second half, it said that the increase in sales might be slightly slower.

One of the main planks of L'Oréal's expansion strategy in the 1980s was to move into more upmarket product areas. L'Oréal two years ago took a 50 per cent stake in Orcofi, a consortium of luxury goods companies which is run as a joint venture with the Recamier family.

Orcofi next week is staging a lavish relaunch for Lanvin, the Paris fashion house intended to be the linchpin of its portfolio. Lanvin, which is being relaunched at a time when the global luxury goods market is under enormous pressure, has so far produced sizeable losses for the Orcofi partners, including L'Oréal.

Danish banks downgraded

By Hilary Barnes in Copenhagen

MOODY'S the US rating agency, downgraded the long-term credit rating of two Danish banks yesterday and put the rating for Den Danske Bank, under review.

The rating for Unibank was reduced from A2 to Aa3 for long-term deposits and from A2rto Baa1 for floating-rate subordinated debt. Baltica Bank's rating went down from Baa1 to Baa3 and for Euro commercial paper from Prime 2 to Prime 3.

Weak markets contribute to Perstorp's 26% decline

By Christopher Brown-Humes

PERSTORP, the Swedish speciality chemicals and plastics group, said yesterday that pre-tax profits fell 26 per cent to SKr225m ($41.3m) in its financial year to August 31 from SKr305m in the previous 12 months.

Group sales rose 8 per cent to SKr7.33bn from SKr6.77bn, but this was due to acquisitions. Excluding acquisitions, sales fell 1 per cent.

The group said weak market conditions were partly to blame for the fall in profits. But it added that increased depreciation, following an aggressive investment programme, and low profitability in some of the companies it had bought, were also significant factors.

Despite the acquisitions, the group's financial position remained strong, with the year-end equity ratio amounting to 44 per cent. Rationalisation measures continued, cutting the workforce by 5 per cent over the year.

Profit per share fell to SKr7.60 from SKr8.40. The dividend, after adjustment for a bonus issue, is unchanged at SKr4.65 per share

The group is waiting for Italian government approval for its proposed co-operation with Italy's EniChem in the field of industrial grade laminates. The political situation in Italy has considerably delayed final approval, Perstorp stated.

Schneider hit by Square D costs

By Alice Rawsthorn in Paris

SCHNEIDER, one of France's largest electrical engineering and construction groups, was hit by the integration of Square D, the US construction subsidiary, in the first half.

Schneider, which was also affected by the pressure on the French industrial and construction sectors, saw net profits fall to FFr193m ($40.37m) in the first half of 1992 from FFr302m in the same period in 1991.

It managed to increase sales by 13.6 per cent to FFr29.4bn from FFr25.9bn between the two first halves. However, the increase in financing costs which followed the Square D acquisition, triggered a fall in net profits.

Prices for electricity determined for the purposes of the electricity pooling and settlement arrangements in England and Wales.

1/2 hour period ending	Provisional Price for Trading on [illegible]: Pool purchase price £/MWh	Final Prices for Trading on [illegible]: Pool purchase price £/MWh	Pool selling price £/MWh
0030	17.86	17.70	17.70
0100	17.88	17.70	17.70
0130	17.72	17.65	17.65
0200	20.36	17.65	17.65
0230	20.29	17.65	17.65
0300	17.84	17.65	17.65
0330	17.72	17.65	17.65
0400	17.72	17.65	17.65
0430	[illegible]	17.65	17.65
0500	17.65	17.65	17.65
0530	17.69	20.30	22.27
0600	17.70	17.69	17.69
0630	17.72	20.30	22.28
0700	23.83	21.84	23.89
0730	26.57	24.58	26.68
0800	27.20	24.58	26.67
0830	27.55	25.09	27.08
0900	27.89	28.06	30.19
0930	27.98	28.11	30.16
1000	27.98	28.15	30.17
1030	27.98	28.19	30.21
1100	27.19	25.14	27.17
1130	27.19	28.23	30.35
1200	27.19	28.28	30.38
1230	26.86	28.20	30.32
1300	26.57	28.09	30.19
1330	26.31	24.60	26.59
1400	25.90	24.58	26.58
1430	25.16	24.58	26.59
1500	23.85	23.60	25.55
1530	23.83	23.60	25.58
1600	21.70	21.68	21.68
1630	23.83	23.60	25.58
1700	23.83	24.54	26.55
1730	23.83	24.54	26.55
1800	23.83	23.60	25.59
1830	23.04	23.60	25.59
1900	23.84	23.60	25.60
1930	23.84	23.60	25.60
2000	23.84	26.83	28.59
2030	23.83	26.87	28.93
2100	23.83	26.87	28.94
2130	23.19	23.60	23.60
2200	22.66	23.60	23.61
2230	22.13	23.04	23.05
2300	21.63	21.84	23.84
2330	21.48	21.42	23.42
2400	21.46	20.60	22.57

Prices are determined for every half-hour in each twenty-four hour period. Prices are in pounds per megawatt-hour, rounded to two decimal places. To convert prices to pence per kilowatt-hour the decimal point should be moved one place to the left, eg £16.68/MWh becomes 1.668p/KWh. Provision for the determination of pool prices is made in the Pooling and Settlement Agreements which govern the operation of the electricity pool in England and Wales. The Pool Purchase Price is the basis of the majority of payments made to generators in respect of electricity traded through the pool. The calculation of pool prices is a highly complex process the product of which is subject to revision or correction until final pool prices are determined approximately twenty-four days after the day of trading. Accordingly, due to the possibility of their revision and/or correction, no reliance should be placed upon provisional pool prices for any day being the same as final pool prices for that day. Final pool prices are also capable of revision. Pool Selling Price is the price paid by purchasers of electricity under the pool trading arrangements. It is dependent upon the determination of Pool Purchase Price. Further information on pool prices is provided on behalf of the Pool by NGC Settlements Limited. Anyone wishing to receive such information should telephone 0602-456780 between 8.30am and 5.15pm Monday to Friday.

Compaq slims down for PC market war

By Louise Kehoe in San Francisco

THE PRICE war in the personal computer market has claimed 1,000 victims at Compaq Computer, which yesterday announced it would lay off about 10 per cent of its work force worldwide.

Compaq also said it would take about $85m in restructuring and other special charges in the third quarter to cover severance costs, writedowns and a loss on the early retirement of long-term debt.

The charges will be offset by a gain of around $86m on the sale of stock Compaq held in Conner Peripherals, a manufacturer of computer disk drives and a Compaq supplier.

The layoffs come despite record revenues and unit shipments in the third quarter just ended, Compaq said.

The company said operating earnings for the third quarter were "comfortably above second-quarter 1992 levels", when Compaq earned $29m, or 35 cents per share. Compaq lost $70m, or 82 cents, in the third quarter of 1991.

After the loss a year ago, Compaq's board ousted Mr Rod Canion, co-founder, and promoted Mr Eckhard Pfeiffer to president and chief executive. Compaq also laid off 1,400 workers.

The latest cuts are being made "in anticipation of a continuing intensely-competitive market environment", Mr Pfeiffer said.

PC prices, which have dropped about 30 per cent in the US this year, are continuing to fall and the momentum of the price war is picking up in Europe and other markets.

Compaq's share price rose sharply to $35⅝ at midday yesterday, up from Wednesday's close of $33½.

James Buxton, Scottish Correspondent, adds: In Europe, Compaq will close its plant at Stirling in Scotland and concentrate all European manufacturing operations at its main plant at Erskine, near Glasgow.

Up to 100 employees who work in management, professional, engineering and administrative functions will lose their jobs, reducing the Scottish manufacturing payroll to just over 800.

Wall Street Journal boosts Dow Jones

By Alan Friedman in New York

IMPROVED advertising and circulation at The Wall Street Journal have helped Dow Jones, the newspaper's owner, to achieve a 31.7 per cent rise in third-quarter net profits.

Dow Jones said it also benefited from lower interest expenses and higher earnings at Ottaway Newspapers, a regional newspaper division.

It reported $21.09m third-quarter net profits, against $16m a year ago. Earnings per share were 21 cents, up from 16 cents last time.

Group operating income was 22.7 per cent higher at $54m. Third-quarter revenues were $438.1m, up from $409.5m last year.

Revenues for the first nine months of 1992 were $1.34bn, against $1.27bn while net income was $92.94m, a 35.3 per cent improvement year-on-year. Earnings per share advanced to 92 cents, compared with 68 cents in the first nine months of 1991.

Dow Jones said its business publications division achieved more than doubled operating income of $13.7m in the third quarter of 1992. Revenues in the division were 6.6 per cent higher at $175.7m.

Advertising lineage at The Wall Street Journal rose by 6.4 per cent in the third quarter and by 7.3 per cent in the first nine months.

The information services business, which includes Dow Jones/Telerate and Business Information Services, reported "a slight increase" in third-quarter operating income, to $36.64m. Revenues were 8.3 per cent better at $203.54m.

On Wall Street, where shares in Dow Jones traded lightly, the price was marked $⅜ lower to $27½.

Discount brokers take a beating in US

Patrick Harverson on how the decline in investor activity has affected margins

THE perils of discount broking were brought painfully home to US investors last month when the share price of Charles Schwab, the country's biggest discount broker, plunged more than 20 per cent.

The plunge followed a warning that the company's third-quarter profits would be much lower than expected because of a sharp drop in customer trading activity.

Although the warning surprised investors, it should not have come as a shock to anyone who understands discount broking – a business more closely tied to market cycles than almost any other.

In the past decade, the San Francisco-based Schwab has become the biggest discount broker in the US by allowing individual investors to buy and sell shares cheaply and quickly, and by providing them with information and research they can use to make investment decisions. Unlike other "full-service" brokers, such as Merrill Lynch and Shearson Lehman, Schwab does not advise its customers where to invest.

When the market is booming, and investors are trading in and out of stocks constantly, discount broking is a very profitable business. But, when the market slumps, as it has done recently, the revenues of a firm relying on trading volume to generate the bulk of its income tumble.

This is what happened to Schwab in the third quarter, when daily transactions by its customers averaged 18,000, well below the peak of 27,000 recorded in the first quarter and the 22,000 in the second quarter. Although 18,000 trades a day is still a good year for Schwab, the company's expenses over the past year have risen 15 per cent because of heavy spending on advertising, branch expansion and the introduction of new products and services.

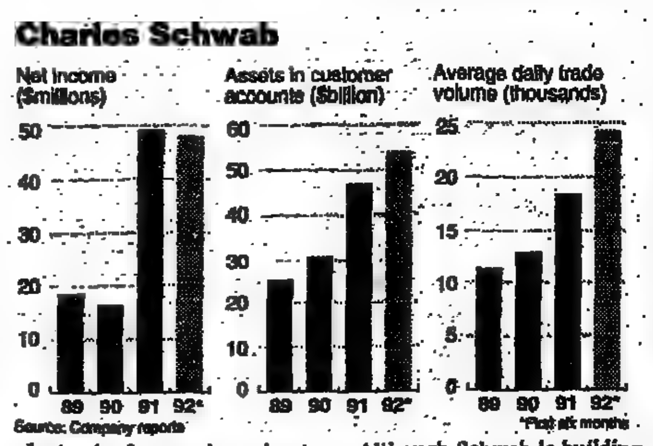
To make matters worse, Schwab's profits in the third quarter were also hit by the recent introduction of low-margin products, such as no-fee individual retirement accounts, which were designed to boost the firm's share of the discount broking market.

The end result is that Schwab is expected to make a profit in the third quarter of between 15 cents and 18 cents a share, compared with the 34 cents a share it earned a year ago.

When market cycles move against full-service brokers, they can turn to fee-based revenues from corporate finance and asset management to make up the shortfall.

Schwab, however, does little trading for its own account, and its asset management business is still very small, albeit growing. At the moment, commission fees account for a remarkable 80 per cent of the company's non-interest revenues.

Schwab has learned to live with the market swings, says Mr David Pottruck, the company's president: "We will always have volatile revenues because we work in a volatile business." It is a point forcefully echoed by Mr John Keefe, an independent securities industry analyst in New York: "They're a brokerage firm, and its tough to get away from that."



Instead of worrying about customer activity, Schwab concentrates on increasing the amount of dollars in its custody. "Our growth is a function of how many customers we have ... The more money that's here, the more money that trades," says Mr Pottruck.

In the past few years, the amount of money at Schwab has grown dramatically. As of June, $54.3bn was held in 1.8m customer accounts – thanks primarily to heavy advertising and some astute marketing. The firm recently opened an office in San Francisco staffed by Chinese-speakers to serve the city's Asian community, and one in Miami with Spanish-speakers to build business among the Hispanic community.

Schwab also relies heavily on technology to reduce the costs of handling its dollars. Mr Pottruck says: "Years ago, all of our trading was done by people sitting in branches. Today, 50 per cent of our phone calls go to TeleBroker," a service that allows customers to buy and sell stocks on their touch-tone telephone.

Although Schwab is building up its asset management business to protect itself against market-related earnings volatility, the company is treading cautiously. "We're not looking to become money managers," says Mr Pottruck.

What Schwab is doing, however, is linking up with the money managers through its Financial Advisors Service. Launched in 1987, FAS provides investors with lists of independent investment advisers who work solely for fee. In return, the advisers route transactions and account servicing to Schwab, which earns commissions on the business. Today, almost 3,000 advisers and money managers use the programme, and assets held by Schwab for its 100,000 FAS clients total more than $10bn.

Although it is dwarfed in size by the full-service giants, Schwab is easily the biggest discount broker, with a 46 per cent share of the market. It is a market that is expanding. In 1985, discounters earned 6 per cent of all broking commissions in the US, but today they earn 11 per cent.

The full-service brokers claim not to be overly concerned about this loss of business. Some even argue that discount brokers are sowing the seeds of their own decline by remaining reliant on revenues tied to investor activity.

One leading executive at a full-service securities house says: "Schwab are in a commodity business that has no value-added component to it and that is very cyclical in terms of order-flows. Schwab are getting themselves into a problem position.

"They're neither fish nor fowl – there are lots of discounters around where you can do trade for a lot cheaper than they can, so they don't offer the lowest price and they don't offer the most service. It creates a what-do-you-want-to-be-when-you-grow-up syndrome?"

While it is true that other discount brokers, such as Fidelity, Olde, and Quick & Reilly, charge lower transaction fees, Schwab has built up a good reputation among individual investors for high quality execution and account service.

It believes strongly that demographic trends are going its way.

Mr Pottruck maintains that the baby-boom generation, which each year takes up a larger proportion of the investing population, is becoming increasingly wary of the traditional client-broker relationship, and of the potential conflicts between the retail broking and institutional interests within the big full-service firms.

Retail sector paints a brighter picture

By Nikki Tait in New York

SHARES in most of the leading US retail groups rose yesterday after the retail sector painted a brighter sales picture for September.

The figures, showing presentable same-store sales gains at most major retailers last month after relatively drab figures for much of the summer, suggested there may be a modest improvement in consumer confidence.

However, industry participants also cautioned that the relatively late date for Labor Day pushed some "back-to-school" spending from August into September.

Among the big department store groups, Dayton Hudson – which takes in the Marshall Fields chain as well as the Target discount retail operation – showed a 6.2 per cent gain in sales from stores which had been open for a year or more.

The Federated Department Stores group – incorporating the likes of Bloomingdale's and The Bon Marche – posted a 6.6 per cent improvement in same-store sales.

Neiman Marcus registered a 3.3 per cent advance in same-store sales, and J. C. Penney a 14.4 per cent gain from main-line stores.

At Sears, Roebuck, there was a 5.3 per cent advance in comparable domestic store sales – with major appliances, home office equipment, clothing and hardware doing well, but car products and services still lagging the previous year.

At Woolworth, same-store sales in the US were up by 5.5 per cent.

Wal-Mart Stores – the nation's largest retailer in sales terms – posted a strong 12 per cent advance in same-store sales, bringing total sales for the first eight months of the year to $33.5bn, up 26 per cent on the same period of 1991.

TWA does better but still in red

By Nikki Tait in New York

TRANS World Airlines, the heavily-indebted carrier owned by Mr Carl Icahn, remained in the red during August – posting a $3.2m loss after tax.

The operating deficit was slightly larger, at $7.49m, although this was a considerable improvement on the $28.7m which the carrier lost in the previous month.

Operating revenues increased from $332.9m to $354.3m. TWA's reported after-tax losses in the year to date stand at just over $86m, but this figure partly reflects proceeds from asset sales.

The airline has reached agreements with its three unions under which employees would make salary concessions in return for receiving a 45 per cent equity stake in the carrier. Creditors would get the remaining 55 per cent.

However, the reorganisation scheme still depends on agreement between Mr Icahn and the Pension Benefit Guaranty Corporation, over the carrier's pensions funding, and a financing commitment from Mr Icahn, or other parties, to the reorganised business.

McDonnell Douglas in novel health deal

By Martin Dickson in New York

McDONNELL DOUGLAS, the financially-stretched US aerospace group, yesterday came up with an innovative means of protecting its balance sheet from the impact of new accounting rules for retirees' health benefits.

However, the complex scheme, which involves workers who do not belong to a union, may cause anxiety among McDonnell employees.

It involves the replacement of company-funded health care coverage with a scheme funded by the retirees themselves – though much of the cost will be met by a special trust fund set up by the company.

The special trust will draw on a surplus in the company's pension fund, estimated at $2.2bn in December 1991.

All US companies face large non-cash write-offs over the next year as they adopt Standard Financial Accounting Statement 106, which requires them to show their future health care obligations to retirees, rather than what they are actually paying out in any given year.

McDonnell said yesterday that its scheme would reduce its estimated FASB 106 write-off from $1.2bn to $1.8bn – almost half shareholders' equity – to around $600m to $700m.

It explained that retirees enrolling in its new plan would receive a one-time supplement – drawn from the special pension benefit trust – which could be used to pay for coverage identical to that offered under the company scheme.

The company said the amount of the supplement, after taxes, equalled almost all of the cost of the premium, so "most retirees will have little, if any, new costs that are not covered by the supplemental pension benefit."

Termination of the company-funded health care plan will also allow McDonnell to cut its cash spending on retiree health care, which had more than quadrupled in the last decade.

The programme affects some 20,000 retirees and will involve a further 50,000 current employees when they retire.

Fannie Mae profits crack record again

By Patrick Harverson in New York

THE FEDERAL National Mortgage Association (Fannie Mae) yesterday reported third-quarter net income of $412.9m, the 19th consecutive record-breaking quarter for the company, the largest mortgage provider in the US.

Fannie Mae's latest result beat the record of $402m in the second quarter, and easily outdistanced the $350.7m earned at the same stage of 1991.

Mr James Johnson, chairman, said the performance was fuelled by strong growth in mortgage-backed securities (MBS) issuance, which totalled $41.3bn, and record fees from sales of Remics (real estate mortgage investment conduits), which helped offset a decline in net interest income.

The fall in net interest income, from $518.2m a year ago to $506.9m, was due to a reduction in float income from mortgage-backed securities and costs associated with pre-funding of mortgage purchases. Its net interest margin fell in the quarter from 139 basis points to 133 basis points through an increase in short-term investment balances.

Provisions for losses were $80m in the quarter, the same as the previous period, taking total provisions to $765.8m.

In response, its shares rose $1⅛ to $64½ in New York.

Honda lifts stake in Indian moped maker

By Shiraz Sidhva in New Delhi

HONDA Motor, the Japanese car and motorcycle maker, is raising its stake in Kinetic Honda Motor, its Indian moped joint venture, from 28.56 per cent to 50.92 per cent, to broaden its base there and enter neighbouring export markets.

Other foreign companies which are increasing stakes in their Indian joint ventures following the government's recent economic liberalisation programme are: Gillette, the US shaving products company; Pepsi, the snack-food and soft-drink maker; Cadbury's, the UK confectioner; and Motorola, the US micro-chip company.

All are raising their stakes to the newly-permitted maximum of 51 per cent to increase managerial control. The Indian government hopes this could lead to big increases in investment and the transfer of technology.

Mr Arun Firodia, Kinetic Honda's managing director, said the venture would issue 4.5m shares at Rs10 each at a premium of Rs20, to facilitate the Japanese company's move.

Honda's decision to increase its stake boosted Kinetic's flagging share price to Rs115 from Rs85 in the last week.

Kinetic Honda, with sales rising 14 per cent to Rs2.76bn in its latest financial year, has weathered the worst recession to hit India's Rs20bn motorcycle and scooter industry.

Daido Steel forecasts sharp first-half reverse

By Robert Thomson in Tokyo

DAIDO Steel, a leading Japanese supplier of steel to the car industry, expects to report a 56 per cent fall to Y2.5bn ($20.83m) in pre-tax profit for the first half, following the rapid decline in domestic passenger car sales.

The company, strong in speciality steels, forecast sales of Y130bn for the six months to the end of September, down from Y150.7bn in the same period last year, due partly to pressure from leading customers for discounts.

The Japanese steel industry has just applied to the government for assistance in "employment adjustment", the transfer and retraining of idle workers.

Steelmakers generally blame the weak demand on falling orders from important customers such as the construction and car industries. Daido is particularly vulnerable because about 60 per cent of its orders are from carmakers.

For the full year, Daido expects a pre-tax profit of Y5bn, down from Y10.2bn last year, on sales of Y260bn, compared to Y299bn. The company had previously forecast a pre-tax profit of Y7bn and sales of Y280bn.

Abbott Laboratories up

By Karen Zagor in New York

ABBOTT Laboratories, a large US health care products group, yesterday turned in third-quarter earnings of $278.8m, or 33 cents a share, against $251.6m, or 29 cents, a year earlier. Sales rose to $1.97bn from $1.65bn.

For the first nine months, net earnings increased 15 per cent to $890.1m from $774m.

Indian Petrochemicals planning to go public

By Shiraz Sidhva

INDIAN Petrochemicals Corp (IPCL) said yesterday it is to go public on November 16, making India's largest petrochemicals company the first government-owned enterprise to invite equity participation from the public.

As part of the government's phased privatisation programme, it had already divested 20 per cent of the Rs26bn ($918.7m) company, which will be listed on the Bombay Stock Exchange later this month.

The company will offer 20m shares of Rs10 each, at a premium of Rs150 a share to raise Rs3.2bn. The sum will fund its third petrochemicals complex at Gandhar. This will reduce the government's stake to 72 per cent, and to 51 per cent after a further public offering next year.

The company has projected gross profits of Rs3.9bn on turnover of Rs22.12bn for the current year, against Rs2.24bn on Rs19.35bn the year before.

Hard man at the head of South Korea's steel revolution bows out

John Burton examines the political manoeuvres in the run-up to presidential elections that prompted the chairman of Posco to resign

IT has been a momentous week for South Korea's Pohang Iron and Steel Company (Posco), the world's third-largest steelmaker.

Mr Park Tae-joon, founder chairman, last Friday celebrated the completion of the company's production facilities and the 25th anniversary of Posco's creation by the Korean government.

But Mr Park this week stunned the company when he suddenly announced his resignation, as Posco was preparing to offer shares next week to foreigners for the first time.

Whoever is selected from among the company's top management to succeed Mr Park will have a hard time matching his reputation as one of South Korea's best corporate leaders.

When Mr Park, a retired general with limited industrial experience, was asked by Korea's former military government in 1967 to create a steel industry that would support the country's rapid push to industrialise, international advisers said the project was doomed to failure.

Korea lacked the technology, capital and even the iron ore deposits to support the costly setting up of a steel company.

THE Posco directors yesterday approved the resignation of Mr Park Tae-joon as chairman.

Mr Park rejected an offer to become honorary chairman.

The change is linked to a dispute between Mr Park, also co-chairman of the ruling Democratic Liberal Party (DLP), and other party leaders about the forthcoming presidential election.

Mr Park has refused to support the party's candidate, Mr Kim Young-sam. Mr Kim, DLP president, has threatened to expel Mr Park from the party.

Nevertheless, Posco today ranks third in world steel production at 21m tonnes, behind Nippon Steel of Japan and Usinor-Sacilor of France.

Its facilities at Pohang and Kwangyang are among the largest and most productive steel mills in the world. The efficiency of the plants has meant that Posco has enjoyed a consistent record of profitability in spite of pricing its steel below world rates.

Posco is South Korea's fifth-largest company in terms of sales, at Won5,820bn ($7.4bn) in 1991, and ranked third in profits at Won145.6bn. It is also the second-largest capitalised company on the Seoul exchange.

But the departure of Mr Park, who resigned due to a power struggle with other leaders of the ruling Democratic Liberal Party (DLP), has cast a shadow over the company's otherwise bright future.

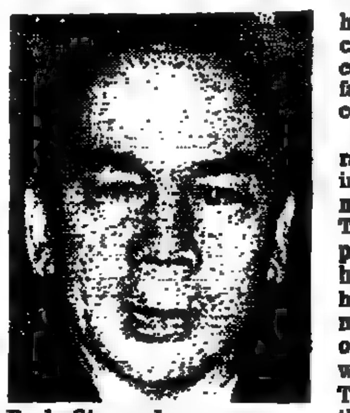
The immediate concern is that Posco will suffer a leadership vacuum after Mr Park's resignation, which dealt a blow to company morale.

The demonstrations staged by both Posco managers and workers to protest Mr Park's resignation reflected the revered status he enjoyed within the company. He had built up a corporate personality cult that reflects the strongly paternalistic role that Korean corporate leaders normally play in Asia's most Confucian society.

Although Posco's management is considered among the best in South Korea, there are worries the company may no longer enjoy the beneficial ties forged by Mr Park with the government, which has a 35 per cent shareholding in Posco.

Posco will closely monitor the reaction of international investors to this week's developments as up to 8 per cent of its shares are offered to foreigners.

One Korean securities analyst said foreign investors were already cautious about Posco's prospects since it is considered a "smokestack" company.



Park: Stunned company

The management turmoil has coincided with a slowdown in the South Korean economy. Posco's biggest domestic consumers – the car, construction and electronics industries – report only modest growth.

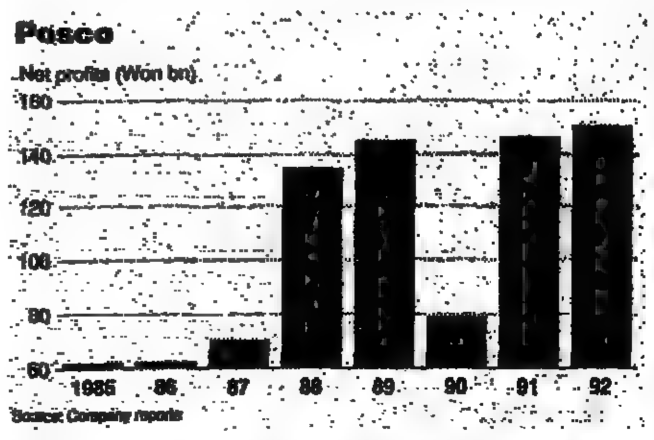
Lucky Securities estimates that Posco sales will increase by only 6 per cent this year, against a 21.3 per cent rise in 1991. Net earnings are forecast to grow by 3 per cent against a 84.3 per cent jump in profits a year ago.

The earnings performance has also been harmed by financial costs associated with the completion of the Kwangyang facilities, as well as increased competition in export markets.

Although Posco's debt/equity ratio of 127 per cent is high by international standards, it is modest for a Korean company. The Ministry of Finance's 20 per cent shareholding in Posco has meant that the company has received preferential treatment in being allowed to tap overseas capital markets, where interest rates are lower. The ministry normally keeps a tight control on Korean corporate borrowing abroad.

Posco believes domestic demand will rebound strongly next year due to expected higher car sales and the construction start of new infrastructure projects, including a high-speed railway and a new airport for Seoul.

Posco sells 70 per cent of its steel output in the domestic market. The company, which accounts for 70 per cent of Korean steel production, is still unable to satisfy the growing domestic appetite for steel despite the completion of new production facilities. South Korean steel demand exceeds domestic supply by around 5m tonnes.



Indeed, the percentage of Posco's total production going for export, mainly to Japan and south-east Asia, has fallen over the past decade.

Meanwhile, Posco is attempting to increase profit margins by producing higher quality speciality steel, although 95 per cent of its production remains basic steel.

Predictions that Korean steel consumption will peak by the year 2000 has forced Posco to begin diversifying its activities. It wants 30 per cent of its sales to come from non-steel operations within the next 10 years.

It established a research institute in 1977 and opened a private technical university a decade later to develop expertise in semiconductors, speciality chemicals, genetic engineering, ceramics and factory automation, all of which are considered potential areas for expansion.

But its diversification strategy suffered a setback in August when it failed to win the licence to operate the country's first private mobile telephone network.

Posco made a bid for the licence through its three-year-old information and telecommunications subsidiary, Posdata, in co-operation with Pacific Telesis of the US and Mannesmann of Germany.

The contract was awarded, instead, to the Sunkyong group, Korea's seventh-largest conglomerate, although it was later withdrawn after the political opposition charged that nepotism was involved in the selection. The Sunkyong chairman is an in-law of President Roh Tae-woo.

Although a new competition for the licence is scheduled for next year, Posco's chances of winning the contract appear to have been harmed by the departure of Mr Park and his feud with Mr Kim Young-sam, the DLP president and the next likely president of Korea.

But Mr Park may still have his revenge. There is talk that he may break his ties with the DLP, of which he is a co-chairman, and stand as an independent in the presidential election in December.

If that happens, there is a good chance that he could win, since he now heads the majority faction of the DLP and could attract many of its supporters away from Mr Kim.

In spite of this week's upheaval, Posco may be about to see that its best days lie ahead under a possible Park presidency.

INTERNATIONAL CAPITAL MARKETS

Firmer sterling leads longer-dated gilts higher

By Peter John in London and Patrick Harverson in New York

LONGER-dated UK government bonds rose about a point yesterday as sterling firmed, though the gilt market failed to get as much of a lead as some had hoped from Mr Norman Lamont, the chancellor of the exchequer.

Mr Lamont failed to provide any real direction to the markets when he addressed the Tory party conference and attempted to set out the bones of the government's economic strategy outside the ERM.

GOVERNMENT BONDS

At first, gilt prices slipped back, reflecting a two pfennig slide by sterling. Then they recovered with the pound to show strength at the longer-dated end.

By the close, long gilt futures were a full point firmer at 96.14 and the 10-year government bond had risen [illegible] to 104-17.

Recovery of the long-dated government bonds was partly sparked by a growing confidence that Germany was likely to cut rates in the next few weeks. Dealers said there was overseas demand for the 10-year gilt, particularly from the US, although trading continued to be thin.

■ GERMAN government bonds consolidated recent gains as bunds moved within a narrow band and closed virtually unchanged. There was still some overhang from Wednesday's auction on new 10-year bonds. One analyst said that too much inference had been drawn from recent comments by Bundesbank officials and a rate cut was not as certain as some investors had believed. The bund futures contract on Liffe was virtually unchanged at 91.12.

■ SPANISH government bonds experienced a sharp rally yesterday as investors decided that any devaluation was likely to be smaller than previously thought.

The market had been discounting a devaluation of about 6 per cent but some traders argued that this appeared unrealistic, making the benchmark 10-year bond cheap. There was some covering of short positions and the bond jumped some three points, with the yield spread against the D-Mark narrowing by as much as 65 basis points to 595.

■ ITALY continued to see consolidation with government bonds bouncing back in early trade, helped by short covering. However, analysts said that the fundamental situation in Italy continued to be very worrying. Yesterday the Italian budget minister notified parliament that the government would seek a confidence vote to secure approval of a L23,800bn package of spending cuts. Late in the day, the Bank of Italy cut its Lombard rate by half a point to 16 per cent, reflecting the easing of pressure in the money markets and a partial reversal of the last rate hike on September 4 when the lira was in the ERM.

■ IN FRANCE, there was initial disappointment that the central bank did not follow the recent lead provided by Belgium and Holland and cut interest rates. The Bank of France said it left its intervention rate unchanged at 9.6 per cent. However, interest picked up later and OATs gained ¾ of a point, while the BTANs advanced nearly ½ point. Dealers said the inverted yield curve was far less pronounced, suggesting that the prospects of a rate cut were growing all the time.

■ BELGIAN bond markets saw little movement by the close of trade, but the market managed to hold on to Wednesday's gains. Dutch government bonds finished a quiet session flat to slightly firmer with the guilder's recent strength continuing to lend support.

■ IN TOKYO, Japanese government bonds and futures prices were down from their Wednesday close but off their lows in late afternoon trade. Faded hopes for an imminent relaxation of US credit induced selling from dealers, but moderate short covering lifted prices slightly before the close.

■ SWEDISH yields for short-dated bonds closed sharply lower as a market consensus grew that the central bank would continue to cut its key lending rate from yesterday's 18 per cent.

On Wednesday, the bank lowered its marginal lending rate from 20 per cent and said earlier it was aiming at levels below that of last summer when it stood at 11.5 per cent. It did not elaborate on a possible time frame for further cuts.

■ US TREASURY prices were little changed in light trading yesterday morning in spite of an unexpectedly large fall in initial jobless claims.

By midday, the benchmark 30-year government bond was down ⅛ at 97⅛, yielding 7.483 per cent. The two-year note was unchanged at the halfway mark, at 100⅛, yielding 3.867 per cent.

The morning's only economic news was of a 24,000 decline in weekly state unemployment claims, a much larger than expected fall. Although prices shed a few points on the news, reports of strong Middle East buying of seven-year notes helped the market regain most of its lost ground. Prices were supported by a feeling among some investors that the market had been oversold in recent days on the widespread disappointment that the Federal Reserve did not cut interest rates after last week's poor September employment report.

BENCHMARK GOVERNMENT BONDS

		Coupon	Red Date	Price	Change	Yield	Week ago	Month ago
AUSTRALIA		10.000	10/02	108.0602	+0.518	8.78	9.05	8.73
BELGIUM		8.750	06/02	102.3000	+0.050	8.39	[illegible]	8.95
CANADA *		8.500	04/02	104.9000	+0.150	7.76	7.74	7.05
DENMARK		9.000	11/00	96.2500	+0.600	9.68	9.58	9.52
FRANCE	BTAN	8.500	03/97	99.2340	+0.424	8.69	8.77	[illegible]
	OAT	8.500	11/02	99.7100	+0.800	8.53	8.61	8.85
GERMANY		8.000	07/02	103.8100	-0.025	7.43	7.41	7.78
ITALY		12.000	05/02	88.7000	-0.090	14.691†	13.80	14.30
JAPAN	No 119	4.800	06/99	100.4073	-0.308	4.72	4.68	4.71
	No 145	5.500	03/02	104.0433	-0.305	4.88	4.77	4.64
NETHERLANDS		8.250	09/02	103.4300	+0.070	7.73	7.78	8.24
SPAIN		10.300	06/02	83.8500	+3.050	13.38	13.41	12.43
UK GILTS		10.000	11/96	105-11	+13/32	8.42	8.50	9.70
		8.750	08/02	104-17	+29/32	9.04	8.97	9.26
		9.000	10/08	97-12	+1⅛	[illegible]	9.34	9.01
US TREASURY *		6.375	08/02	99-26	-9/32	6.40	6.28	6.31
		7.250	08/22	97-22	-14/32	7.44	7.32	7.24
ECU (French Govt)		8.500	03/02	94.6200	+0.280	9.37	9.35	[illegible]

London closing, *New York morning session. Yields: Local market standard
† Gross annual yield (including withholding tax at 12.5 per cent payable by non-residents.)
Prices: US, UK in 32nds, others in decimal. Technical Data/ATLAS Price Sources

Bundesbank keeps analysts on their toes

By David Waller in Frankfurt

THERE are times when watching the German central bank "makes the ancient art of Kremlinology look like child's play", according to Ms Alison Cottrell, of Midland Montagu, in her latest commentary on the Bundesbank.

The Bundesbank's money market activities have been particularly perplexing in the last chaotic month, with the bank attempting to steer rates against a background of large inflows of cash in the wake of intervention in the currency markets.

One unequivocal fact is that the Bundesbank has steered rates down by 0.8 per cent in the last month, to below 9 per cent – a reduction which is far more substantial than the 25 basis point fall in the headline Lombard rate announced in the middle of last month.

As Mr Helmut Schlesinger, Bundesbank president, said after last week's council meeting in Schwerin, money market rates are a more important indicator of policy than the Lombard rate. At the same time, he announced that the bank would be introducing a two-week securities repurchase agreement (repo) tender, giving it more scope to fine-tune money market rates.

Throughout September, the market picked up mixed signals as the central bank pursued a number of objectives all at once. Mr Richard Reid, of UBS Phillips & Drew, says that the monetary authorities were attempting to reduce tensions in the ERM, neutralise the effects of intervention on domestic money supply and keep up the battle against inflation – all at the same time.

The Bundesbank reacted to the excess liquidity – DM92bn of funds flowed into Germany in September – with a variety of measures, indicating the Bundesbank's determination to sterilise the impact of intervention on money supply development. It issued three or two-day bills and currency swaps, and it cancelled two consecutive repo auctions, last week and the week before.

The picture was confused on Wednesday and Friday last week, when the Bundesbank pumped funds back into the market under its so-called Paragraph 17 provisions. It was thus injecting liquidity within days of taking it out of the market – "providing a heap of chickens' entrails for analysts," says Ms Cottrell.

Mr Schlesinger's comments on Friday cleared the air somewhat: he said that the aim was to keep rates down to below 9 per cent for the time being, and that he was happy with the orientation of monetary policy. The money market rate was where it should be: midway between the Lombard rate at 9.5 per cent and the Discount rate at 8.25 per cent.

The important question is whether the fall in money market rates presages further, more substantial cuts in the internationally sensitive Lombard rate. This would be an indication that German interest rates were on the way down, after the grudging ¼ point cut under political pressure last month.

Analysts say that with interest rates as they are, the Lombard rate could be cut by 0.25 per cent. But Mr Thomas Mayer, of Goldman Sachs, says that it is extremely unlikely the Lombard rate will be lowered at all this year – unless there is another currency crisis. By leaving the large gap between call money and the Lombard rate, the Bundesbank is indicating that its next move could be to steer money rates up, just as well as down.

As Mr Johann Gaddum, member of the Bundesbank's policy-making council, indicated yesterday, the bank had no intention of relaxing its battle against inflation in Germany. It is unlikely to find excuses for a cut in interest rates in money supply growth for September. Bloated by intervention, growth is likely to be around 10 per cent, compared to a target of 3.5 per cent to 5.5 per cent.

EIB establishes benchmark for French franc paper

By Tracy Corrigan

THE European Investment Bank yesterday brought the first substantial offering in the Euro-French franc market since August, when the market virtually closed due to worries over the French referendum on Maastricht in September.

The EIB was keen to re-establish a benchmark in the sector, since trading in its paper was disrupted by the change in Italian tax treatment of EIB paper last month. Under the new tax rules, new EIB paper is no longer exempt from withholding tax for Italian investors, and old EIB paper does not benefit from the exemption if traded in the repo market.

INTERNATIONAL BONDS

Prior to the change, some EIB paper was trading at yields substantially lower than French OATs, but spreads widened by as much as 50 basis points as a wave of paper hit the market.

The new deal, a FFr2bn 10-year offering arranged by Société Générale, was priced to yield 34 basis points over the comparable French government bond. The deal was priced at the same level as French government guaranteed paper launched in the domestic market. Dealers said the issue, which incorporates a delayed rate settlement structure, met strong demand.

Meanwhile, liquidity in the Euro-French franc market has improved in recent days, as short-term rates eased. Following the referendum, overnight rates as high as 24 per cent made it extremely expensive for banks to fund inventory, causing liquidity to dry up. However, the overnight rate fell to 11¾ per cent yesterday. "The market is not yet back to normal, but conditions are improving," said one trader.

Three new issues totalling SFr1bn emerged yesterday in the Swiss franc bond market, which has benefited from its status as a safe haven during the recent turmoil in European financial markets.

The issues were spread across a range of maturities, which helped the market to absorb unusually heavy supply, in addition to two 12-year domestic bond issues by Swiss utilities totalling SFr200m.

The World Bank launched a large SFr500m offering of 6¼ per cent seven-year bonds, via Union Bank of Switzerland, which dealers said was rather aggressively priced. In addition, Belgium launched a SFr200m five-year deal via Credit Suisse and Osterreichische Kontrollbank raised SFr300m of 10-year bonds via Swiss Bank Corporation.

Swiss bond yields have fallen by about ½ point since last month, as investors have shifted assets into the Swiss market. A number of other borrowers are taking price indications for transactions in the sector, but some believe rates still have further to fall.

The Britannia Building Society added a further £50m tranche of 13 per cent Permanent Interest Bearing Shares (Pibs) to its £60m issue. The shares offer a yield at issue price of 280 basis points over the 9 per cent gilt due 2008.

The issue of undated mandatorily convertible subordinated notes launched last January were converted into notes on August 1, following shareholder approval at the society's annual general meeting.

NEW INTERNATIONAL BOND ISSUES

Borrower	Amount m.	Coupon %	Price	Maturity	Fees	Book runner
STIRLING						
Britannia Bldg Society(c)	50	13	107.125	-	-	Hoare Govett Corp.Fin.
FRENCH FRANCS						
European Inv. Bank	2bn	8.75	98.84	2002	32.5/20bp	Société Générale
D-MARKS						
GECC(a)	50	7.75	102.6	1997	2/1.775%	M.Stanley/SBV
GUILDERS						
Nederlandse Inv.Bank	200	7.75	100.35	2002	1/0.625%	ABN AMRO
SWISS FRANCS						
World Bank	500	6.25	101.75	1999	-	UBS
OKB	300	6.25	101	2002	-	Swiss Bank Corp.
Kingdom of Belgium	200	6.5	101.75	1997	-	Crédit Suisse
Chiyoda Co.(b)‡**	50	(b)	100.675	1996	1⅜/1¼%	Sakura Bk(Schweiz)

Final terms and non-callable unless stated. **Private placement. §Convertible. #With equity warrants. ‡Floating rate note. a) New tranche to DM200m bond of 25/9/92. Fungible 40 days after paydate. Plus 12 days accrued interest. b) Coupon pays 45bp above 6-month libor for 3 years and 6-month Libid in final year. Putable in 3 years at par. c) Issue of PIBS fungible with existing 60m in issue. Shares are undated and irredeemable and coupon is payable semi-annually.

MARKET STATISTICS

FT/ISMA INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market. Latest prices at 7:00 pm on October 8

U.S. DOLLAR STRAIGHTS	Issued	Bid	Offer	Chg. day	Yield
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

YEN STRAIGHTS	Issued	Bid	Offer	Chg. day	Yield
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
KANSAI ELEC PWR 4 5/8 94	60000	100⅝	101	-⅛	4.19
NIPPON TEL & TEL 5 7/8 96	50000	104	104¼	-⅛	4.74
NORWAY 5 1/8 95	50000	101½	102	-⅛	4.41
SNCF 6 3/4 00	30000	108¾	108⅞	-⅛	5.34
SWEDEN 5 5/8 95	20000	102½	103	+⅛	4.70
WORLD BANK 6 3/4 00	50000	109	109¼	-⅛	5.25

OTHER STRAIGHTS	Issued	Bid	Offer	Chg. day	Yield
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

FLOATING RATE NOTES	Issued	Bid	Offer	C.cpn
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

CONVERTIBLE BONDS	Issued	Cnv. price	Bid	Offer	Prem.
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
SUMITOMO BANK 3 1/8 04	300	[illegible]	[illegible]	[illegible]	+39.73
TEXAS INSTRUMENTS 2 3/4 02	300	82⅞	95	96	+80.99
THORN EMI 5 3/4 04 £	103	7.16	124	125	+14.12

* No information available - previous day's price
‡ Only one market maker supplied a price

STRAIGHT BONDS: The yield is the yield to redemption of the bid-price; the amount issued is in millions of currency units. Chg. day = Change on day
FLOATING RATE NOTES: Denominated in dollars unless otherwise indicated. Coupon shown is minimum. Spread = Margin above six-month offered rate (‡three-month §above mean rate) for US dollars. C.cpn = The current coupon.
CONVERTIBLE BONDS: Denominated in dollars unless otherwise indicated. Cnv. price = Nominal amount of bond per share expressed in currency of share at conversion rate fixed at issue. Prem = Percentage premium of the current effective price of acquiring shares via the bond over the most recent price of the shares.

RISES AND FALLS YESTERDAY

	Rises	Falls	Same
British Funds	71	1	5
Other Fixed Interest	10	3	2
Commercial, Industrial	306	179	939
Financial & Property	184	71	546
Oil & Gas	22	12	51
Plantations	0	0	9
Mines	73	7	67
Others	73	13	23
Totals	739	286	1,642

LONDON RECENT ISSUES

EQUITIES

Issue Price p	Am'nt Paid up	Latest Renunc. Date	1992 High	1992 Low	Stock	Closing Price p	+ or -	Net Div.	Times Cov'd	Gross Yield	P/E Ratio
100	F.P.	–	118	95	Broadgate Inv Trust	96	+1	–	–	–	–
♦	F.P.	–	201	183	Chubb Security	184	-4	L2.8	2.9	2.0	20.3
–	F.P.	–	91	79	European Smllr. Co's	81		–	–	–	–
–	F.P.	–	23	18	Do Warrants	20		–	–	–	–
–	F.P.	–	98	96	SHIRESCOT	96		–	–	–	–
–	F.P.	–	20	19	Do Warrants	19		–	–	–	–
120	F.P.	–	192	164	‡Tepnel Diagnostics	169	-5	–	–	–	–
–	F.P.	–	14	10	Throg 1000 Smlst Co Wts	11		–	–	–	–

FIXED INTEREST STOCKS

Issue Price £	Amount Paid up	Latest Renunc. Date	1992 High	1992 Low	Stock	Closing Price £	+ or -
100p	F.P.	-	110p	105¼p	Fulcrum Inv Tst Zero Div Pf	107¼p	-¼

RIGHTS OFFERS

Issue Price p	Amount Paid up	Latest Renunc. Date	1992 High	1992 Low	Stock	Closing Price p	+ or -
27	Nil	12/11	8pm	2pm	Aviva Petroleum	3pm	-1
17	Nil	18/11	½pm	½pm	‡EIT	½pm	

a Annualised dividend. b Figures based on prospectus estimates. d Dividend rate paid or payable on part of capital, cover based on dividend on full capital. g Assumed dividend and yield. q Earnings based on preliminary figures. u Forecast or estimated annualised dividend rate, cover based on previous year's earnings. x Ex-dividend. F Dividend and yield based on prospectus or other official estimates for 1992-93. H Dividend and yield based on prospectus or other official estimates for 1991. L Estimated annualised dividend, cover and p/e based on latest annual earnings. M Dividend and yield based on prospectus or other official estimates for 1991-92. N Dividend and yield based on prospectus or other official estimates for 1992. Q Gross. R Forecast annualised dividend, cover and p/e ratio based on prospectus or other official estimates. W Pro Forma figures. ‡ Issued by way of capitalisation. † Introduction. § Placing price. †† Reintroduction. ‡ Unlisted securities market. ♦ Issued in connection with reorganisation, merger or takeover. pm Price at a premium. ¶ Units comprising 4 Ords. and 7 Zero Div. Prefs. and 4 Stepped Pref. shares.

TRADITIONAL OPTIONS

- First Dealings Sept. 28
- Last Dealings Oct. 9
- Last Declarations Dec. 30
- For settlement Jan. 11

3-month call rate indications are also shown on this page.
Calls in ASDA, British Aerospace, Premier Cons., Proteus Intl., Trafalgar House and Vickers.

LIFFE EQUITY OPTIONS

Option		Calls Oct	Calls Jan	Calls Apr	Puts Oct	Puts Jan	Puts Apr
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Trafalgar (*86)	80	10½	14	18	4	8	11
	90	5	10	15	8	16	17
Utd. Biscuits (*298)	280	[illegible]	30	37	3½	[illegible]	18
	300	8½	20	26	11	19	27
Unilever (*1030)	1000	43	70	87	7	24	31
	1050	12	39	56	29	45	55

Option		Calls Oct	Calls Jan	Calls Apr	Puts Oct	Puts Jan	Puts Apr
Brit Aero (*135)	120	26	[illegible]	38	13	22	28
	130	23	34	40	17	25	35
	140	18	28	32	22	32	41

Option		Calls			Puts		
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Barclays (*342)	300	49	58	61	[illegible]	14	18
	330	29	38	42	17	28	30
	360	15	24	29	[illegible]	44	48
Blue Circle (*139)	130	19	26	27	11	[illegible]	19
	140	15	21	[illegible]	16	20	23
	160	7	13	16	29	33	38
British Gas (*248)	240	13	19	21	9½	12	17
	260	5	11	[illegible]	22	[illegible]	29
Dixons (*209)	200	21	28	34	10	15	18
	[illegible]	12	19	25	18	25	28

EURO FT-SE INDEX (*2536)

CALLS	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Nov	192	154	120	85	60	40	27	17
Dec	211	175	140	112	82	62	44	30
Jan	230	192	158	130	100	79	60	45
Jun †	290	-	220	-	165	-	130	-
PUTS								
Oct	6	12	24	45	77	122	170	220
Nov	30	38	56	77	105	138	178	222
Dec	36	47	65	88	112	145	182	220
Jan	45	58	75	95	122	152	188	228
Jun †	70	-	100	-	150	-	205	-

October 8 Total Contracts 32,468
Calls 21,524 Puts 10,944
FT-SE Index Calls 6,385 Puts 7,375
Euro FT-SE Calls 2,519 Puts 122
*Underlying security price. † Long dated expiry mths
Premiums shown are based on closing offer prices.

TRADITIONAL OPTION 3-month call rates

	p		p		p		p		p
■ INDUSTRIALS		Cadburys	35	Hanson	15	Ratners	2½	Land Sec.	32
Allied-Lyons	47	Charter Cons.	[illegible]	ICI	85	Reed Intl	42	MEPC	22
Amstrad	4	Comm Union	42	Ladbroke	20	Sears	7	■ OILS	
Astec (BSR)	3½	Courtaulds	38	Legal & Gen	27	SmKl Bchm A	34	Aviva Pet	6
BAT Inds	60	Eurotunnel	32	Lex Service	19	TI	26	BP	22
BOC	[illegible]	FKI	8	Lloyds Bank	34	TSB	11½	Burmah Castrol	56
BTR	35	FNFC	6	Lonrho	8	Tesco	17	Conroy Pet	6
Barclays	26	Forte	17	Lucas Inds	11	Thorn EMI	56	Gaelic Res	½
Blue Circle	19	GKN	33	Marks Spencer	25	T & N	15	Premier Cons	2½
Boots	31	Gen Accident	40	NatWest Bank	26	Unilever	76	Shell	42
Bowater	56	GEC	17	P & O Dfd	32	Vickers	9	Tuskar Res	½
Brit Aerospace	30	Glaxo	15	Racal Elect	8	Wellcome	71	■ MINES	
British Steel	8	Grand Met	[illegible]	RHM	14	■ PROPERTY		RTZ	50
BT	25	GRE	13	Rank Org	42	Brit Land	15		

COMPANY NEWS: UK

Trevor Humphries

John Westhead: Penny & Giles profits below expectations but management positive

Bowthorpe lifted to £22m

By Paul Taylor

BOWTHORPE, the international electronic and electrical components group, yesterday reported a 5 per cent gain in interim profits, buoyed by UK acquisitions and improved sales penetration in the US.

Pre-tax profits rose from £21.3m to £22.4m in the six months to June 30, on turnover of £125.6m (£112.5m).

Earnings per share rose by 10 per cent from 7.17p to 7.88p and the interim dividend is lifted to 1.79p (1.7p).

The relative weakness of sterling compared to the first half of 1991 contributed a £300,000 gain on the translation of pre-tax profits and a £1m increase in reported sales.

Group operating profits rose to £21.9m (£20.2m), offsetting reduced net interest income of £548,000 (£1.14m).

UK operating profits increased to £4.8m (£3.9m) with just over half the growth coming from the Edgcumbe Instruments and Penny & Giles International acquisitions.

Mr John Westhead, chief executive, said profits from Penny & Giles, the aircraft "black box" manufacturer acquired for £30m in May were below expectations in the first half, but the management was "positive about the long-term prospects."

Operating profits from continental Europe rose to £9.1m (£8.7m).

Improved sales penetration in the US more than offset weaker demand in the defence and medical markets and helped boost operating profits to £6.3m (£5.4m).

The contribution from subsidiaries and associated companies in the rest of the world fell to £1.7m (£2.2m), mainly because of weak trading conditions in Japan.

Although Bowthorpe's results were not audited, the company, like several others, has decided to include more detailed half-year information and a statement from its auditors, Ernst & Young, that the figures have been "reviewed."

COMMENT

Bowthorpe's management is adept at acquiring small niche electronics businesses, integrating them, improving margins and finding synergies in international product and marketing development. One example is the growing market for the various data acquisition equipment produced by Optim Electronics and the recently acquired Odessa Engineering businesses in the US and Penny & Giles in the UK. The strategy has served Bowthorpe well and, given the group's strong cash flow and minimal borrowings, more selective acquisitions are likely. Forecast profits of £45.3m this year put the shares on a prospective p/e of just over 16 times earnings. This is a steady stock in a recession, but not a bargain at current levels.

NEWS DIGEST

Clarkson slumps to £1.5m

THE PROBLEMS at Lloyd's reflected in the first half figures of Horace Clarkson, the shipping and insurance group, where profits crashed 75 per cent and the interim dividend is being cut to a nominal 0.5p.

Mr Carron Greig, chairman, said the problems and the heavy losses incurred by Names in 1988 and 1989 made the placing of personal stop loss extremely difficult. That led to substantially reduced brokerage and increased the cost of servicing claims.

For the period to June 30 turnover fell to £19.8m (£23.9m), with insurance broking contributing £6.8m (£10m). Group pre-tax profit came to £1.5m (£6.1m) after the insurance side made only £500,000 (£4.7m).

Mr Greig said the majority of insurance income was earned in the first half, and the division as a whole would report a loss for the full year.

Earnings per share worked through to 3.5p (15.7p) and the interim payment compares with 2.75p last time.

Board changes after Courtyard Leis loss

Courtyard Leisure, USM-quoted restaurant and wine bar operator, yesterday announced board changes in the light of annual pre-tax losses of £288,475.

Mr Paul Bowskill has resigned as a director and Mr Ali Safa has been appointed as joint managing director. He holds 705,000 shares in the company and is a director of TW Consultants. Earlier this year bid talks were discontinued with TW, which speaks for 27.78 per cent of Courtyard.

Sales for the year to March 31 were up 21 per cent at £1.9m (£1.57m). But interest receivable fell to £15,024 (£103,242).

There is no dividend payment for the year; last year 0.5p was paid.

Chepstow R'course advances 27%

Chepstow Racecourse raised turnover and profits by 27 per cent in the six months to June 30. The pre-tax result advanced from £32,694 to £41,599 on sales of £917,595.

Earnings per share came through at 6.3p (4.9p).

Capita makes further purchase

Capita Group, which supplies computer and management services to the public sector, is acquiring Yates Edge & Partners for £600,000.

Some 171,931 new ordinary shares at £3.49 each are to be issued to Yates. The supplier of building and energy-related services has undertaken to retain the shares for two years.

In the year to August 31 Yates reported pre-tax profits of £120,000 on sales of £700,000.

Capita's share price yesterday rose 30p to 367p.

Bilston Enamels reduces losses

Bilston & Battersea Enamels made some improvement in the half year ended June 30 by cutting pre-tax losses from £52,000 to £28,000.

But the recession showed no sign of abating, and the company said it continued to cut costs to preserve margins and cash flow.

Turnover in the period was £1.76m (£1.61m). Sales in the UK improved 20 per cent on the low levels of last year, but exports continued to be eroded as the recession increasingly affected those markets.

Losses per share came to 0.8p (0.9p).

11% annual growth for Town Centre

Town Centre Securities, the property investor and developer, lifted its pre-tax profit by 11 per cent, from £6.51m to £7.25m, for the year ended June 30 1992.

The dividend is raised from 2.8p to 3.1p, with a proposed final of 2.1p, as earnings per share rose to 5.12p (4.58p).

Gross rental and investment income totalled £16.6m (£15.6m) and operating surplus came to £12.8m (£12.2m). Interest charges were £5.58m (£5.64m).

At the year-end net asset value had slipped to 121.38p (125.75p) per share.

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New indices for the specialist investor

By Norma Cohen and Richard Waters in London and Laurie Morse in Chicago

THE NEW stock market indices recognise a growing demand from investors for a wider range of real-time benchmarks against which to develop investment strategies and judge their performance.

In recent years the FT-SE 100 and the FT-A All Share Index of 653 stocks have been challenged by fund management firms which have designed their own proprietary indices to measure the performance of key market segments.

Hoare Govett's Smaller Companies Index has been matched by a similar one from County NatWest, and James Capel has developed its own "Tootsie" index of the 100 companies ranking just below the FT-SE 100 in terms of market capitalisation.

Now, the creation of new indices bearing the FT-SE imprimatur, which focus on medium-sized and smaller companies are expected to provide a boost to specialised fund management.

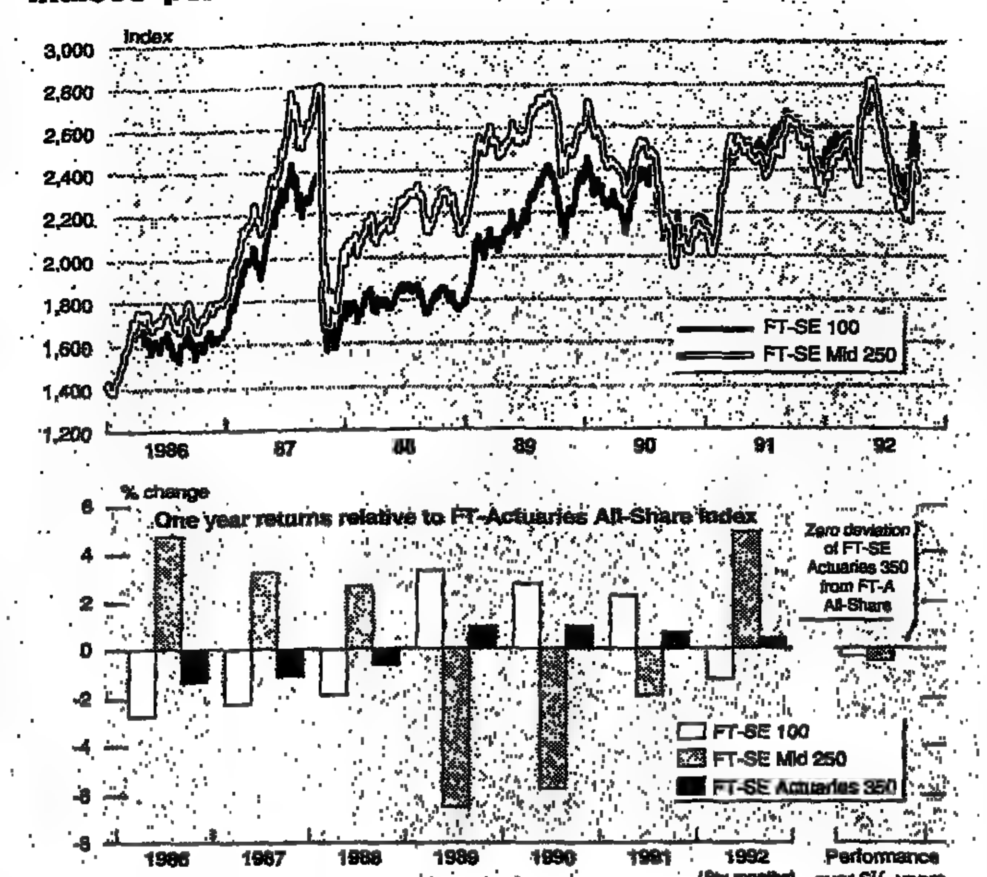
"There is a growing move towards specialisation in the fund management business," said Mr David Twiss, general manager of MAP Securities, a fund management firm specialising in quantitative techniques. "You will now have recognised benchmarks to measure performance against."

While clients such as pension fund trustees may once have handed their portfolio to a single manager to run a balanced fund, the new benchmarks may encourage trustees to break up their portfolios, handing a part to a smaller companies expert or one specialising in the new FT-SE Actuaries 350.

Moreover, says Mr Robert Brown, head of the structured equity group at County NatWest, the existence of new indices is likely to raise investor consciousness about passive management techniques, in which portfolios mimic the components of a single index.

While more than half the domestic equity funds in the US are managed in this fashion – for far lower fees than those charged by active managers – it is estimated that no more than 12 to 15 per cent of the UK market is managed in this way.

Indices' performance



Source: James Capel Quantitative Techniques, Edinburgh and The WM Company

MARKET STATISTICS OF THE INDICES

Index	Capital size (approx.)	% size of market	% turnover by value	Av number of market makers	Touch # %	Spread * %
FT-SE 100	Above £1bn	72	68	14	0.83	1.37
FT-SE Mid 250	£150m-£1bn	20	24	7	1.62	2.40
FT-SE 350 Actuaries	Above £150m	92	92	9	1.00	1.59
FT-SE SmallCap	£20m-£150m	6	7	4	3.04	4.18
FT-Actuaries All-Share	Above £20m	98	99	6	1.12	1.75

Difference between best bid and offer prices; * Difference between worst bid and offer prices
Source: London Stock Exchange; (Data as of June 30, 1992)

The creation of a new, widely-accepted index may well encourage clients to examine more closely the performance of market segments relative to each other, says Mr Brown. For instance, at times of great volatility in the FT-SE 100 index, share prices in the next 250 companies may move relatively little.

And for the first nine months of 1992, the FT-SE 100 has produced a return of 6.2 per cent, compared with a return of 5.6 per cent for the FT-A All Share Index and a negative return of 9.5 per cent for the CNW Smaller Companies Index, CNW's own proprietary index.

In explaining the disparate performances of the FT-SE 100 and the All Share indices, fund managers point to the significance of the 10 per cent of smaller companies in the broader index.

Mr James Woodlock, head of quantitative investment management at BZW Investment Management, noted that the returns generated by small companies differ by as much as 30 to 40 per cent when compared with those of large companies. Thus, the extent to which small companies are represented in a portfolio could significantly affect returns.

Meanwhile, the creation of the new indices is likely to spur the creation of new retail investment products, said Mr John Clamp, chief executive of Combined Actuarial Performance Services, which measures pension fund returns. "The very fact that additional indices are being created will encourage fund managers to devise funds to track them," he said.

But the extent to which the new indices, however effective as benchmarks, become widely accepted by investors may well depend on the development of hedging tools.

"These new benchmarks will be successful as and when new derivative contracts based on them take off," said Mr Andrew Threadgold, chief executive of PosTel, the UK's largest pension fund and its largest internally managed index fund.

Such derivatives are likely to be over-the-counter products developed by individual banks, rather than exchange-traded instruments, at least in the short term. The London International Financial Futures Exchange said yesterday it had no plans yet to launch any futures or options contracts, though it would watch the development of the new indices carefully.

Two factors will determine whether an active derivative market builds up around the indices. One is the extent to which institutional investors use the indices; if they take up the FT-SE Mid 250, for instance, then a futures contract would provide a way of reducing or extending exposure to the sector quickly without trading the underlying stock.

Investor interest takes time to build, though, and is not enough on its own. The ill-fated futures contract based on the FT-SE Eurotrack 100 of continental European stocks was withdrawn after it failed to gain enough momentum, despite the Stock Exchange's claims that the index has developed a good following among investors.

The second ingredient is the active involvement of investment banks and others willing to trade the contracts – for instance by arbitraging between the futures and the underlying market. Such arbitrage in the case of stocks outside the FT-SE 100 could prove difficult, though. The "touch" (the difference between the best buy and sell prices) of Mid 250 stocks is almost double that on the FT-SE 100, reflecting the relative lack of liquidity in these stocks.

Experience elsewhere suggests that smaller company indices, and the derivatives based on them, pass in and out of favour very rapidly.

In the US in the first three months of 1991, for instance, small and medium-sized stocks that were not in the S&P 500 index saw a 35 per cent price appreciation, while the larger stocks were barely breaking double-digits.

Institutional traders, not wanting to miss the action, looked around for an easy way to trade the smaller equities, and persuaded Standard and Poors to construct a "Midcap" index.

The Chicago Mercantile Exchange launched futures on the Midcap 400 in February, about a year after the 1991 small-stock rally began. The contract caught the tail-end of the excitement, but volume faded along with hopes for a strong economic recovery.

The Midcap 400 futures now trade about 525 contracts per day, and anaemic turnover compared with the S&P 500 futures' robust 57,000. At the American Stock Exchange, where options on the Midcap are traded, volume is larger, with daily figures hovering around 4,000 contracts.

Equity traders say the Midcap was generated by the whims of the market, and has suffered with the overall market weakness this year. The S&P 500 index return is flat so far in 1992, and the Midcap 400 has underperformed the S&P 500. "Bottom line," one trader says of the Midcap futures, "this thing is struggling, its not dead."

Indications of changing demands

THE NEW indices announced yesterday by the Financial Times, the International Stock Exchange and the Institute and the Faculty of Actuaries resulted from an attempt to improve and extend the existing indices covering the UK market.

A working party, including representatives from every sector of the investment community, was set up.

It rapidly became clear that market participants were happy with the operation of the FT-SE 100 index, as the principal real-time index for UK stocks, and with the FT-A All-Share, the market's main end-of-day performance measurement benchmark.

However they wanted to extend the approach taken by these indices in a number of ways:

● **Mid-sized companies** - There was a need for a definitive real-time index covering the next tier of companies below the FT-SE 100. The exact size of this group was the subject of much discussion, and some research among investment managers to establish their view on what a "mid-sized" company meant.

The committee settled on a tranche of 250 companies ranking immediately below the FT-SE 100 in size. These companies have market capitalisations in the region of between £150m and £1bn, based on share values at mid-year.

The largest company in the FT-SE Mid 250 is Standard Chartered, with a capitalisation now of £1.1bn and the smallest is Newman Tonks, with a capitalisation of £120m.

● **Real-time industry baskets** - The FT-A All-Share provides detailed sector-by-sector breakdowns of performance at the end of each day, published the following morning in the FT on the page that carries the London Stock Market report. Until now, there has been no way to track the performance of industry sectors minute-by-minute or to attribute the relative performance of sectors to a particular news event. It would not have made sense, however, to base real-time industry baskets on the FT-SE 100, as the sector distribution of companies within the index is patchy.

What was needed was a group of companies traded with sufficient frequency to make real-time prices meaningful and yet close enough in performance to the All-Share to make the industry baskets good intra-day substitutes for the end-of-day All-Share sectors.

The obvious choice was a universe of 350 stocks, the FT-SE 100 plus the new FT-SE Mid 250. Baskets that mirror the sector classification of the All-Share will be calculated minute-by-minute on these companies. In time, derivative contracts (futures and options) may be established on some of the more interesting and active baskets. The FT will publish the hour-by-hour changes in some of the baskets, but the newspaper's principal sectoral breakdown will continue to be the end-of-day All-Share sub-indices.

The FT-SE Actuaries 350, the group of stocks on which the industry baskets will be calculated, may also serve another purpose. It may come to be regarded as a "liquid benchmark", the working definition of the universe of stocks to which most investors direct most of their attention.

As the table shows, the FT-SE Actuaries 350 will cover 92 per cent of the total capitalisation of the UK stock market, a significant advance on the 72 per cent covered by the FT-SE 100.

● **A larger FT-A All-Share** - At its peak, over the last three decades, the All-Share has contained about 720 shares. Over time, takeovers and bankruptcies have reduced that number. It seemed time to establish whether the current size of 653 shares was the correct one.

Investment managers indicated a desire to see a slightly higher proportion of the total market covered. From the end of the year the All-Share will be extended by roughly 200 shares, to cover approximately 98 per cent of the total UK market. At the same time, a new FT-SE Small Cap index will reflect the movement of those All-Share members which lie below the FT-SE Actuaries 350 in terms of market capitalisation. Like the All-Share, this will be an end-of-day index. It will be calculated in two ways, including investment trusts and excluding them. Companies will only be eligible for the All-Share if their stocks trade at least every other day. This "liquidity screen" is designed to exclude a handful of stocks that are very tightly held, and almost never trade. It will not affect the great bulk of current All-Share members.

● **A consistent series** - One clear message the working group received was a desire to have a consistent series of indices, with a common set of ground rules and procedures, and no overlap. A company should either be in the FT-SE 100, or in the FT-SE Mid 250, or in the FT-SE Small Cap, but not in more than one of them. Thus a small company will start outside the All-Share. As it grows, it will qualify for All-Share membership on the grounds of size and liquidity, and will initially find itself in the Small Cap portion of the index. In time it can hope to rise in market capitalisation sufficiently to enter first the FT-SE Mid 250, and then ultimately the FT-SE 100. At each point, its eligibility will be governed by the same rules, and the same calculations will determine price, yield and so on.

● **Independent management** - The arcane and complex rules that govern the way an index runs – necessary to cope with the ever more complex capital structures of late twentieth century companies – can occasionally become contentious. It was important, therefore, to have a unified set of committees to run the new indices, under a strong and independent chairman. The FT, the Stock Exchange and the Actuaries have set up an independent steering committee, overseeing practitioner committees which will carry out the quarter-by-quarter decisions which make the indices tick. The task of seeing that these indices continue to meet the needs of investors – as the All-Share and the FT-SE 100 have done – now falls to them.

Peter Martin

Economy-related performance

THE back history of the new indices – calculated from December 31 1985 – shows clearly the impact of investment decisions. In the three years from 1986 to 1988, second-tier British companies, those in the FT-SE Mid 250, significantly outperformed their larger colleagues in the FT-SE 100.

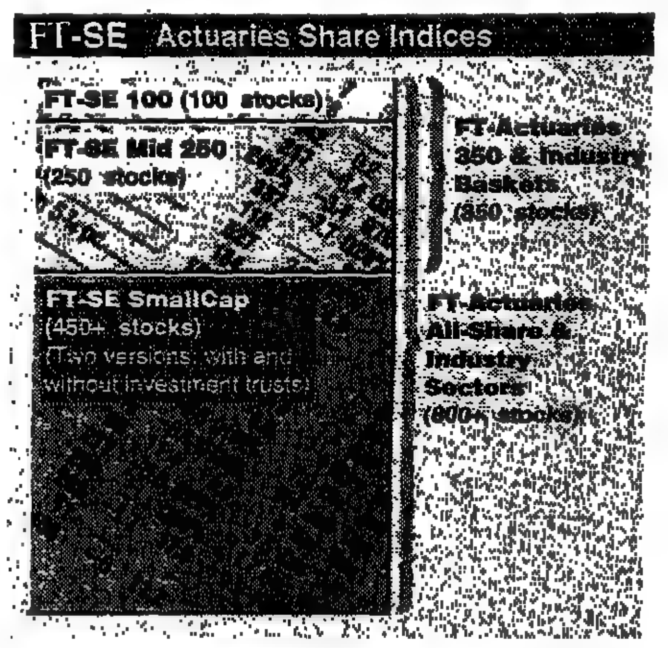
Any investment manager who had concluded from these figures that medium-sized companies possessed a magic all their own would have been sadly disappointed, however. From 1989 to 1991, the trend was reversed the FT-SE Mid 250 doing much worse than the FT-SE 100.

In 1989, the year in which this effect was most marked, there was a ten percentage points difference between the performance of a portfolio invested solely in mid-sized companies and one invested in the top 100. In the first six months of 1992, the pendulum has swung back again.

Size may be one cause of this switchback. Medium-sized companies have proved less capable of withstanding recessionary pressures than larger, more strongly capitalised rivals.

A more important factor, however, is likely to have been the much greater reliance by the FT-SE Mid 250 stocks on the UK economy, where the recession has been particularly severe by international standards. Many stocks in the FT-SE 100 obtain the great bulk of their revenues abroad, the businesses in the second tier are focused closer to home.

Constituents of the FT-SE 100 and the FT-SE Mid 250



FT-SE 100

Associated British Foods; Abbey National; Allied-Lyons; Anglian Water; Argyll Group; Arjo Wiggins Appleton; B.A.T Industries; BAA; BET; BOC Group; BTR; Bank Scotland; Barclays; Bass; Blue Circle Industries; Boots; Bowater; British Airways; British Gas; British Petroleum; British Steel; British Telecommunications; Burmah Castrol; Cable and Wireless; Cadbury Schweppes; Carlton Communications; Coats Viyella; Commercial Union; Courtaulds; De La Rue; English China Clays; Enterprise Oil; Fisons; Forte; General Electric Co.; General Accident; Glaxo; Granada Group; Grand Metropolitan; Great Universal Stores; Guardian Royal Exchange; Guinness; HSBC Holdings (75p); Hanson; Imperial Chemical Industries; Inchcape; Kingfisher; Kwik Save; LASMO; Ladbroke Group; Land Securities; Legal & General; Lloyds Bank; MB-Caradon; Marks and Spencer; NFC; National Power; National Westminster Bank; North West Water; Northern Foods; Peninsular and Oriental Steam Navigation; Pearson; PowerGen; Prudential; RTZ; Rank Organisation; Reckitt & Colman; Redland; Reed International; Rentokil Group; Reuters; Rolls-Royce; Rothmans International; Royal Bank of Scotland; J. Sainsbury; Scottish & Newcastle; Scottish Hydro-Electric; Scottish Power; Sears; Severn Trent; Shell Transport and Trading; Siebe; Smith & Nephew; W.H. Smith; SmithKline Beecham; Southern Electric; Sun Alliance; Thorn EMI; TI Group; TSB Group; Tate & Lyle; Tesco; Thames Water; Tomkins; Unilever; United Biscuits; Vodafone; Wellcome; Whitbread; Williams Holdings.

FT-SE Mid 250

AAH Holdings; ACT Group; Amec; APV; Asda Group; Airtours; Albert Fisher Group; Alliance Trust; Allied Colloids; Amersham International; Amstrad; Anglo & Overseas Trust; Argos; Ashley (Laura) Holdings; Asprey; Associated British Ports; Attwoods; BBA Group; BICC; BPB Industries; BTP; Babcock International Group; Baird (William); Bankers Investment Trust; Berkeley Group; Bilton (Percy); Blenheim Group; Boddington Group; Body Shop International; Booker; Bowthorpe Holdings; Bradford Property Trust; Brake Bros; Britannic Assurance; British Aerospace; British Assets Trust; British Land; British Vita; Brixton Estate; Brown (N) Group; Bryant Group; Bullough; Bulmer (HP) Holdings; Bunzl; Burton Group; Caledonia Investments; Calor Group; Central Independent Television; Charter Consolidated; Christies International; Chubb Security; Compass Group; Cookson Group; Courtaulds Textiles; Cowie (T); Croda International; Daily Mail & General Trust A; Dalgety; Dawson International; Delta; Diploma; Dixons Group; Dunedin Income Growth; Dunedin Worldwide; Emap; Etam; East Midlands Electricity; Eastern Electricity; Edinburgh Investment Trust; Electra Investment Trust; Electrocomponents; Ellis & Everard; Eurotherm; Eurotunnel; Foreign and Colonial Pacific Investment Trust; FKI; Fairey Group; Farnell Electronics; Fine Art Developments; First Leisure Corporation; Fleming Far Eastern Investment Trust; Fleming Japanese Investment Trust; Fleming Mercantile Investment Trust; Fleming Overseas Investment Trust; Foreign & Colonial Investment Trust; GKN; Geest; Gestetner Holdings; Glynwed; Govett Oriental Investment Trust; Govett Strategic Investment Trust; Great Portland Estates; Greenalls Group; Greene King; Halma; Hambros; Hammerson Properties; Harrisons & Crosfield; Hartstone Group; Hays; Hazlewood Foods; Heath (CE); Hepworth; Hewden Stuart; Hickson International; Highland Distillers; Hillsdown Holdings; Huntingdon International Holdings; IMI; Ibstock Johnsen; Iceland Frozen Foods; Invergordon Distillers; Invesco MIM; JIB Group; Johnson Matthey; Kleinwort Benson; Kwik-Fit Holdings; Laird Group; Laporte; Lex Service; Life Sciences International; Lloyds Chemists; London & Manchester Group; London Electricity; London International Group; London Merchant Securities; Lonrho; Low & Bonar; Lucas Industries; M&G Group; ML Laboratories; MAI; MEPC; MFI Furniture Group; Macallan-Glenlivet; Manweb; Marley; Marston Thompson & Evershed; McKechnie; Medeva; Meggitt; Menzies (John); Merchants Trust; Meyer International; MicroFocus Group; Midlands Electricity; Mirror Group Newspapers; Monks Investment Trust; Monument Oil & Gas; Morgan Crucible; Morrison (Wm) Supermarkets; Murray Income Trust; Murray International Trust; Norweb; Newman-Tonks Group; Next; Northern Electric; Northumbrian Water; Nurdin & Peacock; Ocean Group; Paterson Zochonis A; Pentland Group; Persimmon; Photo-Me International; Pilkington; Polypipe; Portals Group; Powell Duffryn; Powerscreen International; Provident Financial; Queens Moat Houses; RIT Capital Partners; RMC Group; Racal Electronics; Raine Industries; Ranks Hovis McDougall; Refuge Group; Royal Insurance; Rugby Group; Seeboard; Saatchi & Saatchi; Salvesen (Christian); Savoy Hotel A; Scapa Group; Schroders; Scottish American; Scottish Eastern Inv; Scottish Investment Trust; Scottish Mortgage & Trust; Scottish Television; Securities Trust of Scotland; Second Alliance Trust; Securicor Group A; Sedgwick Group; Sema Group; Senior Engineering; Shanks & McEwan; Sherwood Group; Simon Engineering; Slough Estates; Smith (DS) Holdings; Smiths Industries; South West Water; Southern Water; Spirax-Sarco Engineering; Spring Ram Corporation; St Ives; St James's Place Capital; Standard Chartered; Staveley Industries; South Wales Electricity; South Western Electricity; Storehouse; T&N; TR City of London Trust; TR Smaller Companies Investment Trust; Takare; Tarmac; Taylor Woodrow; Tibbett & Britten; Tilbury Douglas; Tiphook; Trafalgar House; Transport Development; Trinity International Holdings; UniChem; Unigate; United Newspapers; United Friendly Group B; VSEL Consortium; Vaux Group; Vickers; Warburg (SG) Group; Wassall; Watmoughs Holdings; Weir Group; Welsh Water; Wessex Water; Whitbread Investment Co; Wickes; Willis Corroon; Wilson (Connolly); Wilson Bowden; Wimpey; Witan Investment Company; Wolseley; Wolverhampton & Dudley Breweries; Yorkshire Electricity Group; Yorkshire Water; Yule Catto

COMPANY NEWS: UK

Ibstock Johnsen cuts payment to 0.5p

By Andrew Taylor, *Construction Correspondent*

IBSTOCK JOHNSEN, one of Britain's *few* remaining independent brick manufacturers, has joined the growing ranks of building material producers and contractors to cut dividends.

The company, like many others in the recession-hit sector, made a rights call in spring last year and raised £44m at 90p a share.

Yesterday, the shares fell a further 4p to 45p after the company announced it was reducing its interim dividend from 2.25p to just 0.5p.

It had been hit by the big fall in housebuilding and commercial property development, both heavy users of bricks.

Pre-tax profits during the six months *to June 30 fell from* £7.2m to £3.1m. Earnings per share declined from 1.97p to 0.76p leaving the much reduced dividend comfortably covered.

Profits would have been even lower but for a rise of almost £600,000 to £857,000 in interest receivable following the rights issue.

Trading prospects continued to look bleak. Mr Paul Hyde-Thomson, who retires as chairman at the end of this year, said that there was still substantial over-capacity in the UK bricks industry while its *main markets* remained extremely depressed.

More than 1.4bn unsold bricks, equivalent to six months' supply and enough to build 170,000 homes, were stockpiled by British manufacturers *at the end of July*.

Tarmac, Blockley and Redland recently had announced plans for reducing capacity. Despite this, UK sales were still running at about 75 per cent of the industry's production capacity.

Brick prices had fallen sharply as a consequence, said Mr Hyde-Thomson. Profits before interest from Ibstock's UK building products division fell by £4m to £2.7m even though volume sales were broadly similar to the first half of 1991.

Its US operations were in the north east of the country which had been hit hard by a recession in housebuilding and commercial property development, and had been very slow to recover. First half there rose *from £796,000 to £1.08m.*

Profits also dipped from £1.57m to £1.02m in the continental European building products market where Ibstock had tile and sanitary-ware operations.

Forestry products, which earlier in the recession had provided a shelter against a downturn in UK and US construction, *made slightly* reduced loss of £409,000 (£586,000) with the pulp and paper industry at a low ebb.

● COMMENT

Ibstock can be excused for feeling besieged. Every market in which it operates is in recession with little prospect for significant recovery for another 12 to 18 months. The biggest problem is over-capacity in the *UK brick* industry where more plant closures and job losses are inevitable. On the plus side Ibstock has a gearing of only 12 per cent despite increased investment in cheaper production; unfortunately, it may not feel the benefit of its spending for some time. In the US, recovery in construction has been slow and patchy and still *has to take off in the north* east. Total dividends this year, at best, may be no more than 1p on pre-tax profits £4m-£5m. The possibility of a merger may help underpin the shares – *Tarmac* is known to have looked at the possibility – but the company is likely to attract few supporters until the industry's general problems can be resolved.

Tilbury Douglas stable at £7m aided by acquisition

TILBURY DOUGLAS, which is moving up rapidly to join the ranks of large UK contractors, increased first half pre-tax profits from £6.66m to £6.98m, writes Andrew Taylor.

They would have been lower than last year but for the inclusion of the former Robert M Douglas businesses, acquired in September 1991, for £85.3m in shares.

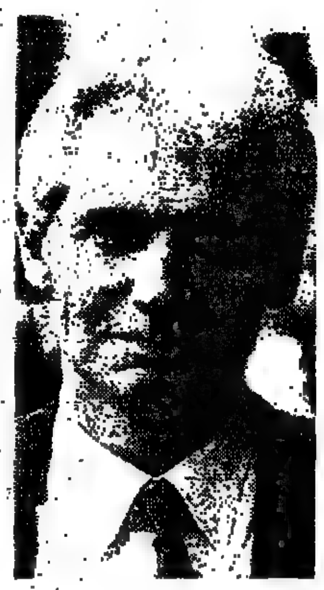
Earnings per share, on the increased capital, fell from 33.2p to 13.9p. The interim dividend is again 10.5p.

Mr Michael Bottjer, chief executive, said the group had embarked on a series of cost cutting exercises, "recognising that any industry wide recovery is unlikely in the near future."

About 300 jobs had gone following the merger, reducing *the labour force to 4,000. Some* £1m had been taken out of the ready-mixed concrete and form work division, mainly through redundancies.

The balance sheet, however, remained extremely strong. At the end of June net cash was £4.8m.

Contracting, the biggest division, had benefited from its specialist water, pipework and heavy electrical expertise, which had continued to perform well despite the big downturn in UK construction work.



Michael Bottjer: cost cuts

"It is very difficult for companies which have no experience to break into these specialist markets and margins, although under pressure, have held up better than for general contracting," said Mr Bottjer.

Property, he said, had just about broke even and would have incurred a loss but for the Scottish housebuilding operations, which had underpinned the divisions relatively small operation in the depressed English market.

Ready mixed concrete and form work would also have been in loss if the group had not moved swiftly to reduce overheads.

● COMMENT

Tilbury's strengths are its balance sheet and mix of specialist contracting skills which should continue to underpin in recession. Demand for construction from water companies and process plant businesses, such as the petroleum and pharmaceutical industries, have held up far better than other areas of contracting. The mechanical and electrical business *similarly has benefited in* demand from the recently privatised electricity supply companies and from British Rail, which is in the process of upgrading signalling in the wake of recent rail accidents. Nonetheless, the company is not immune from the construction decline although profits should beat last year's £15m. A prospective p/e of about 20 suggests the attractions of Tilbury are already in the price.

Interim cut to 1p at Higgs & Hill

PRE-TAX profits of Higgs Hill, the construction, housebuilding and property group, slid from £1.06m to £673,000 in the first half of 1992, writes Andrew Taylor.

The fall would have been less but for an increase in exceptional items from £592,000 to £872,000 to finance redundancy payments.

Reflecting the difficult trading conditions, the interim dividend is cut from 6p to 1p.

Mr John Theakston, chief executive, said the work force had been reduced by 45 per cent over two years reflecting the decline in core markets of contracting, housing and commercial property development.

He warned that the outlook for next year for contracting and commercial property looked little better, although there were some hopes that the *housing market might start to* pick up

Turnover dropped from £190.9m to £149.6m. Earnings per share after exceptional items fell from 1.7p to 1p.

Contracting incurred a *small* loss, reflecting lower margins on contracts as the construction market had shrunk and competition had increased. Forward order book stood at just £145m at end-September.

The loss was offset by the sale of an office development west of Paris, while UK housing profits were boosted by the disposal of a site at Stevenage

Mr Theakston said the housing market continued to deteriorate despite a rise in the number of homes sold

● COMMENT

Higgs & Hill in terms of its balance sheet has done well to limit the damage in the worst downturn construction and property markets have seen for at least half a century. Gearing is less than 10 per cent, which many contractors will envy. The group, also, is making all the right noises about running its businesses for cash, reducing capital employed in housing and curtailing further property developments in France, Spain and the UK. Contracting traditionally weighted toward *private sector commercial* development, looks vulnerable, however. Commercial development is expected to be one of the last sectors to recover. Margins currently are paper thin to non-existent. The housebuilding operations, which can expect to benefit first from any recovery, are small by comparison. The shares until prospects improve are unlikely to attract many buyers.

Galliford halved as margins decline

A SHARP decline in margins in a depressed construction market and reduced interest income halved pre-tax profit at Galliford in the year to June 30.

Pre-tax profit at the Leicestershire-based group, which is involved in construction, specialist contracting and housing, fell to £3.03m (£6.39m) on reduced turnover of £213m (£225m).

Interest income fell to £500,000 (£1.5m) after £6m cash was used to finance the debt of its joint-venture partner that went into liquidation in March 1991. The directors decided last year to acquire the outstanding 50 per cent shareholding and a £2.18m exceptional charge had been provided for. A reduced exceptional charge of £703,000 this time resulted mainly from redundancies.

Mr Peter Galliford, the chairman, said that with tender margins in the construction sector under severe pressure on reduced volume of work available, the group had concentrated activity in the less depressed sectors of social housing and water.

Profit in the construction division plunged to £1.62m (£4.73m) on turnover of £129m (£135m), reflecting the sharp competition in the open tender market.

Private housebuilding remained static at £1.87m (£1.9m) on increased turnover of £8.78m (£7.89m). Completions were up 11 per cent on the previous year.

Losses deepened in the material supplies and distribution division to £931,000 (£229,000) in difficult trading conditions.

Improved profits from the *specialist contracting division* to £393,000 (£55,000) resulted from pipeline services and tiling although reduced piling demand caused losses at rock and alluvium.

While net cash was reduced to £13.2m (£13.9m), bad debt was halved to £500,000.

Earnings per share fell 48 per cent to 2.37p (4.57p). The dividend for the year is maintained at 4.3p with an unchanged final of 3.35p.

Branson and James seek Dan-Air rescue

By Jane Fuller

MR RICHARD Branson, owner of Virgin Atlantic Airways, and Mr David James, chairman of Davies & Newman, are meeting today to try to thrash out a deal to secure the future of the Dan-Air airline.

It is nearly two weeks since Davies & Newman's shares were suspended at 23p as talks intensified.

The negotiations cover marketing and operational links between the two airlines, the possibility of Mr Branson investing £10m and the Virgin name being put to a revamped airline.

Mr James would then use Branson's involvement to sweeten the pill of another share issue. Last year institutional investors, many new to the company, coughed up £49.3m.

As Mr Branson's advisers have studied Davies & Newman's books, the impression has leaked of figures which seem rather bleaker than was expected initially.

One analyst's estimate that this year's pre-tax losses would be £10m has been described as much too low, with speculation that the figure could be three times as much. As Davies & Newman is due to announce its first-half results shortly, it is refusing to comment.

Last year the group lost £35.5m pre-tax, mostly in the first-half. This year, costs have been cut, the charter fleet has been slimmed down and the group has had the use of the rights issue money. But there has also been the expense of launching new scheduled routes.

The options emerging from the Branson talks include:

● For Davies & Newman to stick to its original strategy of building up the Gatwick-based scheduled operation, enhanced by the Branson link. Another injection of institutional cash enables it to trade through the recessionary period.

The question is whether Mr Branson believes the present set-up to be viable and whether the banks and investors will be prepared to give further financial support.

● A salvage operation takes place, with both charter and scheduled operations pruned back to a profitable core.

The Virgin name might be put to this and institutional funds sought for the relaunch.

● Mr Branson walks away and Mr James seeks another partner to help the original plan reach fruition.

● All plans fail and the company goes into administration or receivership. This is being dismissed by the Davies & Newman camp.

Acorn Computer back in black

By Alan Cane

Acorn Computer Group, the computer maker in which Olivetti of Italy has a majority stake, started the year well, recording interim pre-tax profits of £511,000, compared with losses of £420,000. The result was helped by a fall in interest costs from £538,000 to £139,000.

Turnover for the six months to July 3 was up 19 per cent at £21.2m, against £17.9m, and earnings per share were 0.8p (losses of 0.6p).

DIVIDENDS ANNOUNCED

	Current payment	Date of payment	Corres - ponding dividend	Total for year	Total last year
Bowthorpe ....int	1.79	Dec 14	1.7	-	5.04
Clarkson (H) ....int	0.5	Nov 26	2.75	-	8
Courtyard Leis §.......fin	nil	-	0.5	nil	0.5
Galliford ....fin	3.35†	Nov 27	3.35	4.3	4.3
Higgs & Hill ....int	1	Dec 7	6	-	9
Ibstock Johnsen ......int	0.5	Dec 1	2.25	-	6
Merivale Moore ......fin	nil	-	7.75	1	10.5
Tilbury Douglas ....int	10.5	Nov 12	10.5	-	33
Town Centre Secs....fin	2.1	Jan 4	1.9	3.1	2.8

Dividends shown pence per share net except where otherwise stated. †On increased capital. §USM stock.

COMMODITIES AND AGRICULTURE

Nickel producers fail to follow Inco's output cut

By Bernard Simon in Toronto

NICKEL PRODUCERS are currently showing little enthusiasm for production cuts similar to those announced by Inco earlier this week, despite a continuing surplus of metal on world markets.

Both the French producer SLN (Societe Metallurgique le Nickel) and Finland's Outokumpu said yesterday that they have no plans to cut output over the next few months.

Falconbridge, the biggest western producer after Inco, said yesterday that a production cut is "likely", but that no decision will be made for at least a few weeks. "Each operation is looking at its plans and reviewing options," the company said.

Inco plans to trim production by 40m lbs over the next 12 months, bringing next year's expected output down to 380m lbs.

However, the Toronto-based company also affirmed its determination to maintain its 25 to 30 per cent share of the western nickel market. Inco has bought substantial quantities of metal on the LME over the past year.

Inco's cut will reduce worldwide production by about 3 per cent, but preliminary figures indicate that nickel output exceeded consumption by 14 per cent in the third quarter.

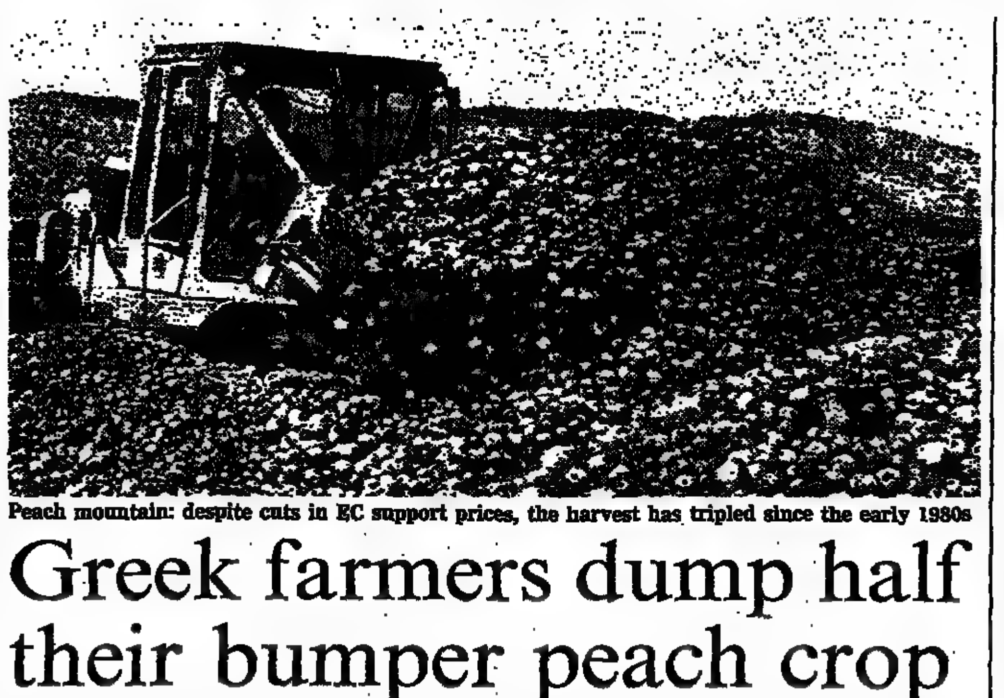
The imbalance is due largely to stagnant demand from the stainless steel industry, which accounts for some 60 per cent of nickel consumption, and a sharp rise in Russian shipments.

Mr Ray Goldie, metals analyst at Richardson Greenshields in Toronto, predicted yesterday that "Inco's cutbacks won't be enough". With Russia unlikely to rein in its exports, Mr Goldie said the burden is likely to fall on western producers such as Falconbridge.

His prediction is confirmed by the lacklustre response of nickel prices to Inco's decision. Cash nickel on the London Metal Exchange fell back to close at $6,620 a tonne, down $70 on the day and $85 on the week so far.

SLN chairman Mr Yves Rambaud told Reuters that the renovation of one of three smelters had already reduced the company's production this year, and he saw no need to consider further cuts. The renovated smelter was brought back into service in August, but Mr Rambaud said that Eramet's stocks are "very low". The group expects its nickel output to fall to some 39,000 tonnes in 1992, down from 43,500 tonnes in 1991.

An Outokumpu official told Reuters that "We do not have need for such cuts and there are no plans for such measures". He noted that the company's total nickel output of 13,800 tonnes a year is less than Inco's planned cut.



Peach mountain: despite cuts in EC support prices, the harvest has tripled since the early 1980s

Greek farmers dump half their bumper peach crop

With falling exports and limited canning capacity, the surplus just keeps growing, writes Kerin Hope

A powerful smell of fermenting fruit escapes from trucks lumbering up a hillside outside Skydra, the centre of commercial peach-growing in Greece. A bulldozer works full-time at the dump, pushing piles of unsold peaches into an uncultivated valley.

This year marked a record Greek peach harvest, estimated by growers at over 900,000 tonnes. But the surplus is also of unprecedented size, with more than half the crop being transported straight from orchards to the dump.

Greece, together with the US and South Africa, is one of the world's biggest exporters of canned peaches. Over 90 per cent of the processed crop is sold abroad, much of it to supermarket chains from Britain to Japan. Greece is also a big producer of table peaches.

Despite cuts in EC support prices this year and next – both for marketed produce and withdrawals – the surplus will go on rising as more orchards come into full yield.

"The EC support prices were extremely high, even for withdrawal, and until the late 1980s there was always a shortage of industrial peaches. Growers thought production could go on expanding indefinitely," says Mr Alexander Protopappas of Conex, a processor.

The growing is done by 20,000 small farmers in the northern Greek provinces of Verria, Edessa and Naoussa, where a cooler climate favours fruit production. In recent years, there has been a shift to yellow clingstone varieties for processing, considered by farmers a safer option than growing table peaches for the volatile European export market.

However, the average orchard size is only about three acres, a factor that contributes to increased surpluses as individual farmers follow their neighbours' example and switch to peach-growing. Peach production has almost tripled since the early 1980s, with new orchards planted on terraces cut higher into the hillsides around Skydra.

Production of yellow clingstones will probably reach 650,000 tonnes this year, up from 480,000 tonnes in 1991. Yet processing capacity is stuck at 250,000 tonnes.

"Greek peaches are considered top quality and we'd have no difficulty in raising exports if we had the capacity," says Mr Eleftherios Saitis of Kronos, another large packer. "The canned peach market may be stabilising but there's a future in products like concentrate, pulps and peach chips for flavourings."

There seems little chance that capacity will soon increase. Most canneries were set up by agricultural co-operatives a decade ago when farm exports were still subsidized and interest rates for agricultural loans lagged far behind the inflation rate.

No longer protected by subsidies, the co-operatives are deep in debt to the state-controlled Agricultural Bank, while private canners like Mr Saitis say they cannot afford to expand with borrowing rates at around 30 per cent.

But so long as support prices remain attractive, the growers will go on producing. "It will be hard to make peach farmers change crops unless the EC starts paying compensation for uprooting trees. Their income is still satisfactory even if they drive their whole crop to the dump," says Mr Antonis Kanouras of Agrotiki Kolindros, a local growers' co-operative.

Nevertheless, there are still shortages at the canneries in July and September, at the beginning and end of the processing season, because growing policies were never co-ordinated with the processors.

"If there were more producers of early and late cropping varieties, we could prolong the season for a few weeks and cover more of the demand for exports," says Mr Kanouras.

However, the industrial peach sector is still well off by comparison with what has happened to producers of table peaches. This year's crop, estimated at 230,000 tonnes plus another 100,000 tonnes of nectarines, was also a record. But a disastrous export season means that the withdrawal rate is even higher than for industrial peaches.

The conflict in the former Yugoslavia has blocked the main export route to western Europe. The alternative route to the Munich fruit market, by ferry to Italy or by road through Hungary, takes 24 hours longer and costs one-third more at times of peak demand for refrigerated trucks.

Greek peaches normally command premium prices because of their quality. But that edge may be lost after an extra day on the road. Moreover, wholesale prices for peaches have tumbled following bumper harvests across southern Europe. This year, exports of Greek table peaches and nectarines have fallen by 35 per cent to 60,000 tonnes.

"Costs are so high in proportion to prices that the Greek exporters are scarcely breaking even this year. The recession has shrunk demand in western Europe where peaches are seen as a luxury fruit," says Mr Constantine Karagiorgas of Incofruit, the Greek fruit exporters' association.

Silver stocks reported to be insensitive to higher prices

By Kenneth Gooding, Mining Correspondent, in New York

WORLDWIDE silver stocks are huge but only 1 per cent or 146m troy ounces would be attracted into the market by prices up to $5 a troy ounce, according to a study* by the Charles River Associates consultancy group. At $10 a ounce, 541m ounces, or 2.8 per cent of total stocks, could potentially enter the market, it suggests.

Even prices up to $20 an ounce would draw only 2.2m ounces or 12 per cent out of stocks. It is also unlikely that stock would immediately make its way to market but instead would be drawn out over some years if higher silver prices prevailed, said Mr Firoze Katrak, Charles River vice president.

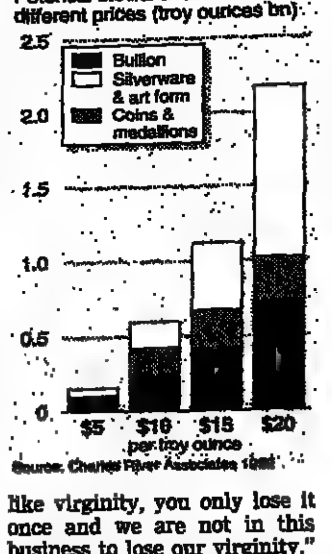
This is believed to be the first assessment of worldwide silver stocks. It was produced for the Washington-based Silver Institute, an international association of silver miners, refiners, fabricators and manufacturers.

Mr Katrak strongly defended the independence of the study. While the institute had set the terms of reference – the study was to estimate silver stocks by type and geographical region and to estimate the liquidity of those stocks in terms of the prices and conditions under which they would flow into the market – the institute had no right to change the report in any way.

The Charles Rivers organisation's reputation was at stake and, said Mr Katrak: "To use a vulgar analogy, a reputation is like virginity, you only lose it once and we are not in this business to lose our virginity."

Silver

Potential stocks available at different prices (troy ounces bn)



Source: Charles River Associates 1992

The institute pointed out that fabrication demand for silver had exceeded total supply for the past two years and a 50m ounce deficit was forecast for 1992. "This demonstrates that, if nothing else changes, stocks available at dollars five an ounce or less would be exhausted in about three years," said Mr Dennis Wheeler, president.

Analysts' immediate reaction to the long-awaited study was to suggest that it would have a relatively neutral impact on the silver market. Mr George Milling-Stanley, analyst at Lehman Brothers, said: "It is bullish, but not especially bullish."

He said he wanted to examine the report to check the assumptions made about silver stocks not available to the market. "I am always worried when I am told 84 per cent of stocks of anything are not available." However, Mr Milling-Stanley said the study was "a very useful addition to the literature of silver."

The study suggests that the principal reasons stocks would not be drawn into the market are:

- Those held by investors, at 524m ounces, are less than 40 per cent of total worldwide bullion stocks. Most bullion stocks are held largely as business stocks which companies need for their normal operations. These business stocks have generally been stable relative to consumption and not available to the market except at very high silver prices and even then on a transient basis;
- Most coins and medallions are held either for their numismatic or collectible value or as family holdings. Only a small portion is price responsive and available to the market;
- Most silverware and art forms of silver is not available under normal market conditions largely because small holdings are spread among a vast number of individuals who have a possessive or emotional attachment to them. Large holdings are owned by churches or other religious groups or are held for the high relative value of their art form, not for their silver content.

* *Stocks of Silver Around The World, $450, from the Silver Institute, Suite 240, 1112 Sixteenth Street NW, Washington DC 20036, US.*

Nations agree to try to limit rubber supply

THE world's key rubber producers have agreed to draw up plans to co-ordinate their production and marketing strategies to beat weak prices, but Malaysia said the move will not amount to a producer cartel, Reuter reports from Kuala Lumpur.

The Association of Natural Rubber Producing Countries (ANRPC), whose members account for over 80 per cent of world output, said at the end of a two-day meeting in Malaysia that it has set up a committee to formulate the plans.

It said the move would help bring about a supply and demand balance which "would favour remunerative prices for rubber".

Senior Malaysian officials said the measure would not amount to a production cartel or production quotas. "It is merely aimed at maintaining a balance between supply and demand. It will help avoid an excess supply," one said.

Rubber prices have been declining steadily for the past three years, falling to their lowest since 1986 in December. They have recovered only slightly since.

Malaysian Primary Industries Minister Lim Keng Yaik told the meeting on Tuesday that the present trend is towards a supply glut due to the slowdown in industrial activity in Western countries as well as higher Asian and African output.

The London-based International Rubber Study Group has forecast a rubber surplus of 150,000 tonnes in 1992, down from a 180,000 tonne surplus in 1991, Mr Lim said, though this could be even higher because OECD growth prospects have been downgraded.

Danish pork returned by Swedes

By Hilary Barnes in Copenhagen

SWEDEN and Norway are sending back substantial quantities of Danish pigmeat on the grounds that it contains salmonella bacteria.

"The Swedes are hysterical," commented Mr Benth Sloth, chairman of the Danish Bacon and Meat Export Council, who alleged that the Swedes are more interested in protecting their own market than they are in the health of their people.

The Swedes, said a council press release, are looking very hard for bacteria, taking 10 times as many samples as they used to do, as well as applying the most stringent regulations in the world.

The shipments of pork tenderloin that have been refused have been sold in Denmark without any objections by the veterinary authorities or the Consumer Council.

However, the Danish veterinary directorate is already initiating a "microbiological action plan" which it says should reduce the incidence of bacteria considerably.

Australia may review wheat monopoly

By Kevin Brown in Sydney

THE Australian government indicated yesterday that the Wheat Board's export monopoly may be abolished if the Uruguay Round negotiations of the General Agreement on Tariffs and Trade (Gatt) are successful.

Mr Simon Crean, primary industries minister, said the board's single-desk marketing system provided the best protection for farmers from the continuing export subsidies battle between the European Community and the US.

He said immediate deregulation of export sales would expose individual sellers of Australian wheat to the danger of being "picked off" in the "corrupted" world market.

However, Mr Crean said the government would review the monopoly if the Gatt negotiations led to a liberalisation of world trade in agricultural goods. Australian officials have suggested recently that agreement may be possible soon.

The government has come under pressure to deregulate the wheat market from international grain traders and US farmers' organisations, which claim the board distorts trade by manipulating export prices.

WORLD COMMODITIES PRICES

MARKET REPORT

Three-month **COPPER** prices, which were in retreat early, rallied above $2,300 a tonne in afternoon trading on the LME, aided by the trend in New York. But dealers said as the fundamental picture is negative – with economic activity sluggish and consumers unwilling to chase prices higher – the market could turn down again. **GOLD** was steady on the London bullion exchange as the dollar pulled back sharply on rumours that the US Fed was planning to cut rates. The metal was fixed at $350.50 a troy ounce in the afternoon, up 50 cents from its early setting. A rise in US equities and positive US retail sales figures buoyed **PLATINUM**, which recovered to just below resistance at $360 after fixing earlier at $356.80. But reports of a Japanese market awash with platinum and Tocom investors selling nearby positions weighed on sentiment. London **COCOA** ended near the day's lows following origin selling. News that the German grind for the third quarter was 12.9 per cent above last year appeared to have little effect on prices. "The fact that the origins are selling means there's more cocoa in the market to offset the impact of the better usage," one dealer said.

Compiled from Reuters

London Markets

SPOT MARKETS		
Crude oil (per barrel FOB)(Nov)		+ or -
Dubai	$18.35-8.45z	+0.10
Brent Blend (dated)	$20.45-0.50	+.175
Brent Blend (Nov)	$20.55-0.60	+.125
W.T.I (1 pm est)	$21.95-2.05z	+.075
Oil products (NWE prompt delivery per tonne CIF)		+ or -
Premium Gasoline	$218-219	-1.5
Gas Oil	$199-200	+2
Heavy Fuel Oil	$101-103	+1
Naphtha	$191-192	
Petroleum Argus Estimates		
Other		+ or -
Gold (per troy oz)♣	$350.65	-0.1
Silver (per troy oz)♣	378.5c	+3
Platinum (per troy oz)	$356.80	+0.05
Palladium (per troy oz)	$95.65	-0.1
Copper (US Producer)	105.0c	
Lead (US Producer)	37.8c	
Tin (Kuala Lumpur market)	15.51r	+0.02
Tin (New York)	289.5c	-1.5
Zinc (US Prime Western)	62.0c	
Cattle (live weight)†	108.70p	+0.91*
Sheep (live weight)†♠	75.75p	+1.73*
Pigs (live weight)†	80.31p	+5.40*
London daily sugar (raw)	$225.7w	-1.3
London daily sugar (white)	$263.3w	+2
Tate and Lyle export price	£242.0	+1.5
Barley (English feed)	£132.75	+1.75
Maize (US No. 3 yellow)	£140.0	
Wheat (US Dark Northern)	Unq	
Rubber (Nov)♥	58.25p	+1.25
Rubber (Dec)♥	58.25p	+1.5
Rubber (KL RSS No 1 Oct)	222.5m	
Coconut oil (Philippines)§	$495.0y	+5
Palm Oil (Malaysian)§	$400.0	
Copra (Philippines)§	$315.0	+2.5
Soyabeans (US) ‡	£145.0	+2
Cotton "A" Index	53.80c	
Wooltops (64s Super)	413p	+8

£ a tonne unless otherwise stated. p-pence/kg. c-cents/lb r-ringgit/kg t-Oct/Dec y-Nov/Dec u-Oct. w-Oct/Nov. z-Nov. †Meat Commission average fatstock prices. * change from a week ago ♥London physical. §CIF Rotterdam. ♣ Bullion market close. m-Malaysian cents/kg. ♠Sheep prices are now live weight prices.

SUGAR – London FOX			($ per tonne)	
Raw	Close	Previous	High/Low	
Dec	194.00	194.00	192.00	
Mar	193.00	192.00	191.00	
May	195.00	196.00	195.00	
White	Close	Previous	High/Low	
Dec	256.90	256.80	258.50	255.50
Mar	256.50	258.30	258.50	256.10
May	259.00	259.00	258.50	257.80
Aug	264.00	294.50	264.00	263.30

Turnover: Raw 104 (128)lots of 50 tonnes. White 527 (1894) Paris- White (FFr per tonne): Dec 1266.89 Mar 1286.41

CRUDE OIL – IPE			$/barrel	
	Latest	Previous	High/Low	
Nov	20.57	20.45	20.62	20.44
Dec	20.58	20.47	20.63	20.48
Jan	20.54	20.45	20.58	20.49
Feb	20.43	20.35	20.43	20.42
Jun	20.00		20.00	
IPE Index	20.45	20.32	20.45	

Turnover 21562 (18267)

GAS OIL – IPE			$/tonne	
	Close	Previous	High/Low	
Oct	192.00	190.50	192.75	190.50
Nov	195.75	194.50	196.25	194.00
Dec	197.50	196.50	198.25	196.50
Jan	197.75	196.75	198.00	196.00
Feb	193.75	192.75	194.00	192.00
Mar	187.25	186.00	187.75	185.75
Apr	182.50	182.00	183.25	181.25
May	179.25	178.75	179.25	179.00
Jun	178.25	177.75	178.50	178.25

Turnover 21442 (20335) lots of 100 tonnes

FRUIT & VEGETABLES

Outspan oranges are the best fruit buy at 12-26p each (12-25p) this week reports the FFVIB. Cox apples at 45-55p a lb (40-50p) and Kiwifruit at 16-20p each (16-20p) are also good buys. There is plenty of English cauliflower in the shops at 35-50p each (35-50p), along with an abundant supply of potatoes at 8-12p a lb (8-12p). There are lots of colourful Autumnal salad vegetables in the shops, choose from beetroot at 15-25p a lb (30-35p), Lollo Rosso and Radicchio lettuce at 60-80p each (60-80p). More traditional are tomatoes at 55-65p a lb (45-55p) and celery at 40-45p a head (40-45p).

COCOA – London FOX			£/tonne	
	Close	Previous	High/Low	
Dec	675	669	691	673
Mar	701	718	715	[illegible]
May	719	732	734	717
Jul	734	750	746	733
Sep	752	767	764	750
Dec	778	795	790	775
Mar	802	817	818	800
May	821	834	826	820

Turnover: 6699 (4016) lots of 10 tonnes

ICCO indicator prices (SDRs per tonne). Daily price for Oct 7 777.59 (768.03) 10 day average for Oct 8 763.86 (751.97)

COFFEE – London FOX			$/tonne	
	Close	Previous	High/Low	
Nov	829	834	844	825
Jan	840	844	854	835
Mar	850	852	854	846
May	848	861	863	850
Jul	852	858	867	850
Sep	860	870	875	865
Nov	870		830	

Turnover:3157 (3498) lots of 5 tonnes

ICO indicator prices (US cents per pound) for Oct.7: Comp. daily 50.82 (50.48) 15 day average 48.59 (48.28)

POTATOES – London FOX			£/tonne	
	Close	Previous	High/Low	
Apr	61.1	60.8	61.0	60.0

Turnover 73 (90) lots of 20 tonnes.

SOYAMEAL – London FOX			£/tonne
	Close	Previous	High/Low
Oct	133.50	133.50	

Turnover 0 (0) lots of 20 tonnes.

FREIGHT – London FOX			$10/index point	
	Close	Previous	High/Low	
Oct	1098	1096	1104	1095
Nov	1140	1130	1150	1140
Dec	1140	1135	1150	1140
Jan	1185	1172	1185	
Apr	1225	1215	1225	
Oct	1295		1295	
BFI	1036	1034	1036	

Turnover 130 (165)

GRAINS – London FOX			£/tonne	
Wheat	Close	Previous	High/Low	
Nov	125.10	122.00	125.25	123.50
Jan	128.00	125.00	128.30	127.00
Mar	131.00	128.35	131.30	130.00
May	133.60	130.80	133.85	132.50
Jun	133.75	132.00	[illegible]	[illegible]
Nov	109.00		109.00	108.50
Barley	Close	Previous	High/Low	
Nov	123.25	121.15	123.25	123.00
Jan	126.85	125.10	127.25	126.50
Mar	130.00	128.10	130.10	129.75

Turnover: Wheat 582 (276), Barley 475 (536). Turnover lots of 100 Tonnes.

PIGS – London FOX		(Cash Settlement) p/kg
	Close	Previous	High/Low
Jan	95.5	95.5	

Turnover:0 (1) lots of 3,250 kg

LONDON METAL EXCHANGE					(Prices supplied by Amalgamated Metal Trading)	
	Close	Previous	High/Low	AM Official	Kerb close	Open interest
Aluminium, 99.7% purity ($ per tonne)						Total daily turnover N/A lots
Cash	1196-7	1196-7	1188.5	1188.5-9		
3 months	1219-20	1220-1	1222/1208	1211.5-2	1216-7	195,304 lots
Copper, Grade A (£ per tonne)						Total daily turnover N/A lots
Cash	1352-3	1321-2	1350/1348	1346.5-9.5		
3 months	1381-2	1353-4	1384/1365	1379-80	1382-3	148,297 lots
Lead (£ per tonne)						Total daily turnover N/A lots
Cash	326-7	322-3	323.5	323.5-3.75		
3 months	339-40	335-6	340/329.5	335-6.5	337-7.5	26,540 lots
Nickel ($ per tonne)						Total daily turnover N/A lots
Cash	6615-25	6685-95	6638/6630	6638-9		
3 months	6690-700	6760-5	6730/6655	6701-5	6700-10	28,400 lots
Tin ($ per tonne)						Total daily turnover N/A lots
Cash	6255-60	6280-90		6240-50		
3 months	6320-30	6350-60	6360/6315	6310-20	6330-40	11,097 lots
Zinc, Special High Grade ($ per tonne)						Total daily turnover N/A lots
Cash	1174-5	1184.5-5.5		1165-7		
3 months	1191-2	1201.5-2.5	1205/1181	1185-6	1190-1	66,067 lots

LME Closing £/$ rate: SPOT: 1.6895 3 months: 1.6073 6 months: 1.6455 9 months: 1.6395

LONDON BULLION MARKET (Prices supplied by N M Rothschild)		
Gold (troy oz)	$ price	£ equivalent
Close	350.50-350.80	
Opening	350.10-350.40	
Morning fix	350.00	207.101
Afternoon fix	350.50	207.335
Day's high	350.90-351.20	
Day's low	349.50-349.80	

Loco Ldn Mean Gold Lending Rates (Vs US$)			
1 month	1.96	6 months	2.07
2 months	1.96	12 months	2.15
3 months	1.96		

Silver fix	p/troy oz	US cts equiv
Spot	221.95	373.35
3 months	226.80	376.25
6 months	231.25	379.10
12 months	239.85	385.45

GOLD COINS	$ price	£ equivalent
Krugerrand	350.50-353.50	207.00-208.00
Maple leaf	361.35-363.65	-
New Sovereign	83.00-85.00	48.00-50.00

TRADED OPTIONS

Aluminium (99.7%)	Calls		Puts	
Strike price $ tonne	Oct	Jan	Oct	Jan
1150	58	86	3	7
1200	20	50	13	20
1250	3	25	46	44
Copper (Grade A)	Calls		Puts	
2200	94	130	4	16
2300	26	65	36	52
2400	3	27	112	112
Coffee	Nov	Jan	Nov	Jan
750	80	98	1	9
800	37	62	8	23
850	10	36	31	47
Cocoa	Dec	Mar	Dec	Mar
575	101	131	1	5
600	77	110	2	9
625	56	91	6	15
Brent Crude	Nov	Dec	Nov	Dec
2000			3	17
2050	19	44	10	36
2100	3	22		

New York

GOLD 100 troy oz.; $/troy oz.				
	Close	Previous	High/Low	
Oct	349.9	351.0	351.0	350.0
Nov	350.2	351.4	0	0
Dec	351.0	352.2	352.2	350.7
Feb	352.2	353.6	353.4	352.0
Apr	353.3	354.6	354.7	353.0
Jun	354.6	356.2	0	0
Aug	356.1	357.7	356.4	356.4
Oct	357.7	359.3	0	0
Dec	359.3	[illegible]	0	0

PLATINUM 50 troy oz; $/troy oz.				
	Close	Previous	High/Low	
Oct	354.0	360.0	359.0	352.0
Jan	353.0	357.0	357.0	350.0
Apr	353.0	355.6	[illegible]	351.0
Jul	353.0	355.5	355.0	353.0
Oct	358.5	358.5	0	0

SILVER 5,000 troy oz; cents/troy oz.				
	Close	Previous	High/Low	
Oct	373.2	372.3	375.0	375.0
Nov	373.8	373.0	0	0
Dec	375.3	374.5	379.0	372.6
Jan	376.5	375.7	0	0
Mar	378.8	378.0	382.5	376.5
May	381.0	380.2	381.8	379.0
Jul	383.2	382.4	386.0	381.5
Sep	385.6	384.8	0	0
Dec	389.5	386.7	390.0	386.5
Jan	390.6	389.8	0	0

HIGH GRADE COPPER 25,000 lbs; cents/lbs				
	Close	Previous	High/Low	
Oct	100.60	100.70	101.30	100.40
Nov	101.00	101.20	102.00	100.75
Dec	101.60	101.70	102.60	101.10
Jan	102.00	102.20	102.30	102.30
Feb	102.40	102.60	102.50	102.25
Mar	102.80	102.90	103.70	102.55
Apr	102.95	103.00	0	0
May	103.30	103.35	104.30	103.50
Jun	103.50	103.50	0	0
Jul	103.60	103.60	104.50	103.90

SUGAR WORLD "11" 112,000 lbs; cents/lbs				
	Close	Previous	High/Low	
Mar	8.67	8.63	8.71	8.58
May	8.76	8.72	8.77	8.66
Jul	8.79	8.73	8.80	8.72
Oct	8.78	8.72	8.73	8.68
Mar	8.84	8.76	0	0

CRUDE OIL (Light) 42,000 US galls $/barrel				
	Latest	Previous	High/Low	
Nov	21.98	21.89	22.04	21.98
Dec	21.90	21.82	21.96	21.88
Jan	21.82	21.76	21.86	21.78
Feb	21.69	21.62	21.74	21.66
Mar	21.55	21.50	21.57	21.55
Apr	21.40	21.35	21.45	21.41
May	21.33	21.27	21.35	21.31
Jun	21.22	21.17	21.24	21.21
Jul	21.10	21.06	21.15	21.12
Aug	21.07	21.00	21.07	21.04

HEATING OIL 42,000 US galls, cents/US galls				
	Latest	Previous	High/Low	
Nov	64.25	63.63	64.40	64.15
Dec	65.00	64.62	65.20	64.90
Jan	65.30	64.94	65.45	65.25
Feb	64.15	63.66	64.30	64.15
Mar	61.70	61.43	61.80	61.70
Apr	59.60	59.33	59.70	59.60
May	58.05	57.86	58.05	58.05
Jun	57.15	56.93	57.15	57.10
Jul	57.00	56.73	57.10	56.90
Aug	57.28	57.28	0	0

COCOA 10 tonnes;$/tonnes				
	Close	Previous	High/Low	
Dec	979	1033	1010	968
Mar	1030	1077	1056	1018
May	1060	1113	1083	1060
Jul	1090	1140	1110	1091
Sep	1120	1170	1140	1130
Dec	1153	1203	1170	1150
Mar	1191	1241	1210	1200
May	1221	1271	1236	1226
Jul	1258	1308	0	0

COFFEE "C" 37,500lbs; cents/lbs				
	Close	Previous	High/Low	
Dec	60.40	59.80	60.50	58.60
Mar	62.10	61.60	62.25	60.10
May	65.70	65.00	65.90	63.65
Jul	67.35	66.70	67.50	65.35
Sep	68.65	68.15	69.25	67.05
Dec	71.00	70.45	71.60	70.00
Mar	72.75	72.50	73.75	73.75

COTTON 50,000; cents/lbs				
	Close	Previous	High/Low	
Oct	56.60	57.90	58.60	56.50
Dec	53.28	53.23	53.30	53.16
Mar	53.83	54.07	54.20	53.82
May	54.58	54.68	55.50	54.58
Jul	55.30	55.23	55.75	55.20
Oct	56.27	55.85	0	0
Dec	56.45	56.25	56.80	56.60
Mar	57.00	57.00	0	0

ORANGE JUICE 15,000 lbs; cents/lbs				
	Close	Previous	High/Low	
Nov	103.40	106.60	105.25	101.60
Jan	103.30	106.60	105.30	101.70
Mar	104.05	107.20	106.25	102.75
May	105.00	107.85	107.50	103.70
Jul	104.25	107.55	107.00	104.00
Sep	104.25	107.15	105.00	104.25
Nov	104.25	107.15	105.00	105.00
Jan	104.25	107.15	105.00	105.00
Mar	104.25	107.15	0	0

INDICES

REUTERS (Base: September 18 1931 = 100)			
Oct.8	Oct.7	mnth ago	yr ago
1588.3	1576.5	1601.6	1624.3

DOW JONES (Base: Dec. 31 1974 = 100)				
	Oct.7	Oct.6	mnth ago	yr ago
Spot	113.42	113.59	116.24	114.49
Futures	114.83	114.94	114.71	123.31

Chicago

SOYABEANS 5,000 bu min; cents/60lb bushel				
	Close	Previous	High/Low	
Nov	530/0	530/6	531/0	528/4
Jan	535/2	535/2	536/2	533/2
Mar	541/6	541/2	542/2	539/6
May	549/0	549/2	549/4	547/2
Jul	556/2	556/0	557/0	554/4
Aug	558/4	558/2	559/4	558/0
Sep	558/4	558/2	0	0
Nov	564/2	564/6	565/0	563/4

SOYABEAN OIL 60,000 lbs; cents/lb				
	Close	Previous	High/Low	
Oct	18.21	18.24	18.25	18.14
Dec	18.41	18.49	18.49	18.36
Jan	18.56	18.67	18.65	18.53
Mar	18.78	18.90	18.87	18.77
May	19.02	19.15	19.13	19.01
Jul	19.23	19.37	19.37	19.23
Aug	19.32	19.46	19.48	19.32
Sep	19.42	19.56	19.62	19.42

SOYABEAN MEAL 100 tons; $/ton				
	Close	Previous	High/Low	
Oct	179.5	180.8	180.8	179.1
Dec	181.2	181.7	181.8	181.0
Jan	181.6	182.0	182.1	181.5
Mar	181.8	182.0	182.4	181.5
May	182.4	182.3	182.8	182.0
Jul	184.2	184.1	184.6	183.8
Aug	185.0	184.8	185.3	184.7
Sep	186.0	185.7	186.3	185.7

MAIZE 5,000 bu min; cents/56lb bushel				
	Close	Previous	High/Low	
Dec	209/0	210/6	210/2	208/6
Mar	217/6	219/4	219/2	217/4
May	223/6	225/4	225/0	223/6
Jul	228/4	230/2	229/6	228/2
Sep	231/6	233/0	232/2	231/6
Dec	235/2	236/4	236/2	235/0
Mar	242/0	243/2	0	0

WHEAT 5,000 bu min; cents/60lb-bushel				
	Close	Previous	High/Low	
Dec	340/0	343/2	342/4	338/6
Mar	341/2	344/4	344/2	340/0
May	334/0	335/4	336/4	332/6
Jul	315/6	318/0	318/0	315/0
Sep	321/4	323/4	0	0
Dec	332/4	335/4	333/0	332/4

LIVE CATTLE 40,000 lbs; cents/lbs				
	Close	Previous	High/Low	
Oct	75.700	75.450	75.750	75.550
Dec	73.425	73.225	73.575	73.375
Feb	71.275	71.250	71.500	71.250
Apr	72.275	72.275	72.450	72.275
Jun	69.225	69.350	69.400	69.200
Aug	68.000	67.975	68.150	68.000
Oct	68.200	68.300	68.400	68.200

LIVE HOGS 40,000 lb; cents/lbs				
	Close	Previous	High/Low	
Oct	43.275	42.800	43.550	42.875
Dec	43.725	43.200	43.850	43.300
Feb	42.625	42.050	42.800	42.150
Apr	40.825	40.200	41.050	40.275
Jun	45.675	45.025	45.750	45.025
Jul	45.350	44.900	45.600	44.900
Aug	43.950	43.550	43.950	43.600
Oct	40.950	40.700	41.000	40.800

PORK BELLIES 40,000 lbs; cents/lb				
	Close	Previous	High/Low	
Feb	39.525	38.875	39.650	39.050
Mar	39.100	38.700	39.350	38.800
May	40.575	40.125	40.700	40.450
Jul	40.900	40.400	41.000	40.900
Aug	39.950	39.550	39.950	0

FINANCIAL TIMES SURVEY

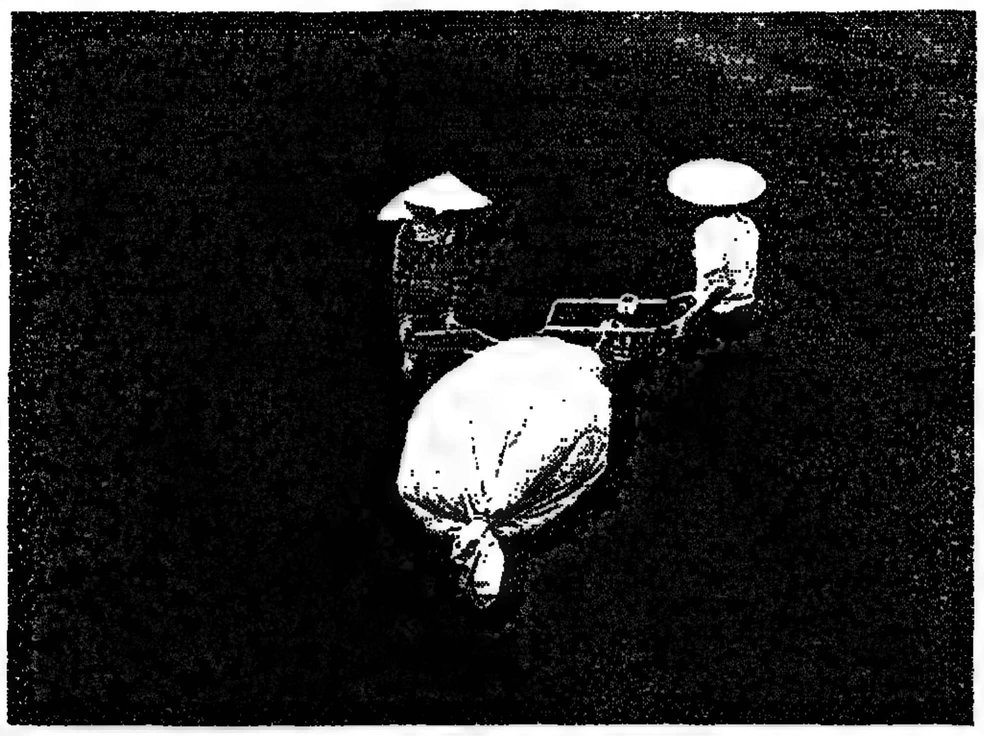
TAIWAN

More than 1m Taiwanese will visit China this year; Key facts and map **Page 2**

Friday October 9 1992

In five years the island has changed course. Once an autocracy, it is now a quasi-democracy. Its frosty relations with mainland China have thawed, and import and other barriers are slowly being removed. But there has been a price to pay. **Angus Foster** reports

Strength wins recognition

Study in contrasts: while Taipei residents face a nightmare in transport (see page 4) workers on a tea plantation in Nantou have plenty of space to manoeuvre

JUST five years ago Taiwan was an autocracy run by the Nationalist government which fled China's mainland after the civil war in 1949. The economy was successful, but highly discriminatory against foreign competition. Relations with the Chinese communists, who still regard Taiwan as a renegade province, remained hostile and Taiwan's international standing was at a nadir.

Today, Taiwan is a quasi democracy with its first Taiwanese, as opposed to Chinese, president in Lee Teng-hui. Its economy remains successful, in spite of world recession, while import and other barriers are slowly being removed. Family visits and trade with China are growing rapidly and the two sides are holding regular, if unofficial, talks. Last month, as a rites of passage for the island's economic emergence, its application to join the Gatt was accepted for serious consideration.

Such rapid change has not come without a price. To cope with new demands, the government budget is in deficit for the first time in nearly 20 years. As affluence has increased, Taiwan's saving rate has fallen from Asian to western levels, and crime and divorce rates are both rising sharply.

Neither is Taiwan's future as a stable democracy secure. Infighting is taking place within the ruling *Kuomintang* (KMT) about proposed presidential elections in 1996. This, broadly speaking, pits conservative mainlanders against more liberal Taiwanese party members. The KMT, guaranteed support from government-owned television and big business, enjoys a monopoly on power while the opposition Democratic Progressive Party has yet to prove it can act as a credible oppostion.

Meanwhile, China has not withdrawn its threat to use force against Taiwan, especially if the island were formally to declare independence. Although the Taiwanese are sure they do not want reunification with a communist China, they are uncertain how to improve the relationship without radical changes in China's ideological position.

December elections for the legislative *yuan*, or paliament, mark the next test for the democratic reforms instituted by President Lee since 1987. The old guard of legislators elected in China in 1947-48, who sat in the *yuan* unchallenged and unchallenging for more than 40 years, were retired last year making way for Taiwan's first fully representative parliamentary elections for 161 seats.

The KMT is assured of victory, and campaigning is set to be less explosive than in last year's election for the lower profile national assembly, which adopts consitutional amendments. In those elections the DPP campaigned to formalise Taiwan's present *de facto* independence, leading to angry rebukes from China. But the independence call appeared to worry voters. This time the DPP will concentrate on attacking ballooning government spending and forecast tax increases stemming from a US$303bn six-year national development plan.

The plan is designed to redress a decade of neglect of the island's transport and energy facilities, and improve its deteriorating environment. Many of the projects are welcomed, especially those improving traffic jams in the capital, Taipei. But it has been criticised for being hastily drawn up and likely to add to inflation, which is heading for 4-5 per cent – high by Taiwanese standards. Financing the plan pushed the government budget into deficit last year, the first time in recent history. This year's deficit is forecast to rise 33 per cent to nearly US$14bn.

Nevertheless, increased government spending will ensure continued economic growth. This is forecast to rise 7 per cent this year, after 7.3 per cent last year. Unemployment will remain below 2 per cent, helped by a rapidly expanding service sector. A resulting labour shortage suggests recent average wage increases of 10 per cent are set to continue.

Taiwan's economic growth is impressive, especially in the face of recession in its principal export market, the US. But the economy now needs to restructure away from low cost manufacturing, its traditional engine of growth. Since the late 1980s low cost manufacturers have lost competitiveness due to rising land and labour costs and a 50 per cent appreciation in the new Taiwan dollar. This has forced many to relocate to cheaper Asian locations, such as Indonesia, and, especially since relations have improved, China.

Although economists agree this process was inevitable, the government is worried it will prevent Taiwan's industry from upgrading. Government grants and tax credits are being increased to persuade companies to invest in automation and research. But these programmes have so far had mixed success, and Taiwan still largely relies on imported Japanese and US technology.

This year has seen another setback as foreign investment has fallen sharply, dropping 32 per cent to $7.6bn in the first seven months. The decline may be temporary, relecting downturn in Japan, and changes in investment laws. But foreign investment does seem increasingly to be aimed at service, rather than manufacturing industries, suggesting Taiwan's efforts to upgrade industry, helped by foreign technology transfer may be frustrated.

After registering almost no growth in 1990, exports have recovered, helped by a stable new Taiwanese dollar and increasing exports to China. Because Taiwan maintains a ban on direct links with China, most trade is conducted through Hong Kong. Exports to newly-built Taiwanese factories in China helped lift total trade with China 34 per cent to more than $4bn in the first seven months of this year.

Relations with China have improved markedly since Taiwan lifted its ban on visits to the mainland in 1987. But the two sides are still separated by huge ideological differences and 40 years of mistrust. Although cultural and unofficial contacts are rising, further progress towards normalising relations will be very slow.

Last year Taiwan ended its National Mobilisation for Suppression of the Communist Rebellion, effectively recognising Beijing as the legitimate government for the mainland. Taiwan hoped this would lead to formal recognition by Beijing but China has consistently refused to grant any legitimacy to Taiwan's government and refuses all offers of official talks or visits.

Increasing trade links with China have led to calls from Taiwan's businessmen for bans on the three *tongs* – direct shipping, air links and postal services – to be lifted. But this would require the two governments' mutual recognition of security arrangements and air service agreements. Even if China agreed to modify its non-recognition of Taiwanese sovereignty, Taiwan may delay lifting the three bans to squeeze further concessions from China at a later stage.

Beijing's continued opposition to the extension of diplomatic recognition to Taiwan by third countries has frustrated the island's quest for international ties. In August, South Korea, Taiwan's last diplomatic ally in Asia, withdrew recognition in favour of China. Taiwan now has full diplomatic relations with 29 countries, of which only South Africa is internationally important.

But Taiwan has had more success gaining entry to international bodies. As well as the Gatt application, it last year joined the Asia Pacific Economic Conference under the politically neutral title of Chinese Taipei.

Growing economic power is also bringing greater informal recognition from European countries, especially those, such as France, which believe their companies can win contracts under the six-year plan. Following the US decision in September to sell up to 150 F-16s to Taiwan, a separate purchase of up to 60 French Mirage fighters is still expected to go ahead. This would further improve Taiwan-French ties, and provide the island with a symbolically important quasi-ally in Europe.

IN THIS SURVEY

Angus Foster investigates rising pressures in a showcase economy

Standing at the crossroads

TAIWAN'S showcase economy, which generated annual growth of 8 per cent through the 1980s, is at the crossroads. On the surface, all appears well. Growth is forecast to hit 7 per cent this year, after 7.3 per cent in 1991. Unemployment is below 2 per cent and consumer price inflation, although edging upwards, will probably average below 4 per cent for the year.

But declining competitiveness among Taiwan's low cost manufacturers, who since the late 1980s have faced rising costs and an appreciating New Taiwanese dollar, is forcing them to upgrade or move overseas to other, cheaper Asian locations such as Indonesia and, increasingly, China. Meanwhile, a maturing economy is adding new pressures such as a declining savings rate, down 10 per cent to 29.5 per cent in five years, and rising consumer spending.

Taiwan has overcome such hurdles before. With the largest central bank foreign exchange reserves in the world, more than US$88bn, the island can also afford to increase government spending and guarantee growth while the economy restructures. Nevertheless, new pressures and new costs associated with moves towards democracy, such as tighter environmental regulations, suggest growth in the 1990s will be slower and more erratic than in the past decade.

Growth this year is being driven by consumer and government spending. Consumer spending has risen since 1987 helped by annual average wage increases of 10 per cent overall and up to 15 per cent in the service sector. Growing affluence has lifted demand for foreign consumer goods, which now account for more than 10 per cent of total imports for the first time.

The government's six-year, US$303bn National Development infrastructure plan is now under way and government spending is forecast to rise 20 per cent this year, compared to private sector investment growth of 5-6 per cent. The government's share of gross fixed capital formation is forecast to reach 30 per cent this year, compared to 17 per cent in 1987.

To help finance the plan, the government ran a budget deficit of US$10bn last year, the first time in nearly 20 years. The deficit is set to rise further, to US$15bn this year and nearly US$20bn in the peak spending year, although these figures will be less daunting if the private sector is attracted into some of the projects. Mr Lee Chong-ying, vice-minister of finance, said the government has no plans to raise taxes to cut the deficit, although critics say tax increases are inevitable.

Although many of the infrastructure projects are welcomed, especially those aimed at improving the island's transport network and energy supply, the plan is widely assumed to be inflationary. The government has set a medium-term inflation target of 3.5 per cent, but wages are continuing to rise at close to 10 per cent and many economists think inflation will reach upwards of 5 per cent, high by Taiwanese standards.

With the largest central bank foreign exchange reserves in the world, more than US$88bn, the island can afford to increase government spending

Mr Yu Tzong-shian, president of the Chung Hua Economic Research institute, estimated inflation will rise to 4-5 per cent in the medium term, perhaps higher "if the plan is finished on time".

Inflation will be helped, however, if the New Taiwanese dollar continues to appreciate, pushing import prices down. After rising against the US dollar by 50 per cent between 1986 and 1989, the Taiwanese unit has stabilised. Further gains are likely in the next 12 months because of Taiwan's strong trade position and pressure from the US, which claims the currency is being kept artificially low.

Exports have continued to rise, in spite of world recession, thanks to increased trade with China. For political reasons, this is conducted indirectly, mainly through Hong Kong. Taiwan's exports to China increased 38 per cent for the first five months to US$2.3bn while exports to the US, still Taiwan's most important market, and Europe fell slightly.

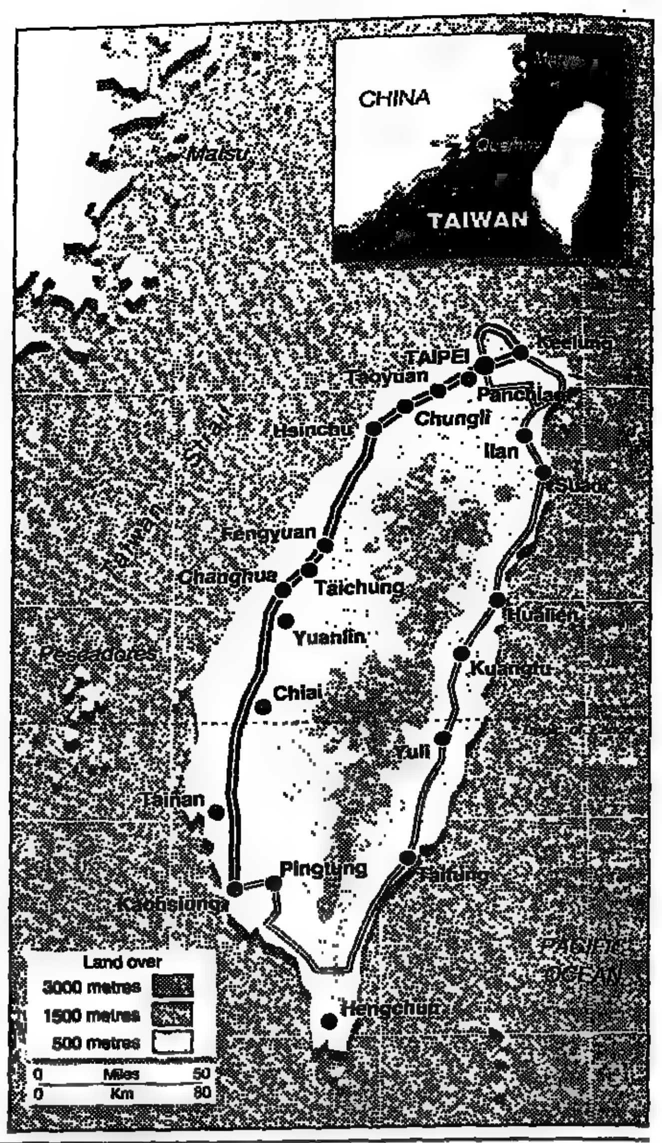
About 95 per cent of exports are industrial products and total exports last year increased 13 per cent to US$76.2bn. For the first seven months of this year exports rose 8.3 per cent from the comparable period to US$46.8bn.

But imports have risen faster, gaining 14 per cent to US$41.3bn for the year so far, leading to a 17 per cent reduction in the island's trade surplus.

This is due to rising imports of consumer goods, capital equipment for infrastructure projects and Taiwan's continuing reliance on Japanese machinery and semi-conductor imports. Thirty per cent of total imports come from Japan and this led to a US$9.7bn trade deficit last year, a 27 per cent increase.

The deficit is likely to increase as infrastructure projects accelerate, and will rise again if Taiwan's bid for membership of the GATT is successful. Restrictions on Japanese car imports, protection of Taiwan's agricultural products and discriminatory government overseas purchasing programmes, which tend to favour the US and exclude Japan, will have to be reformed if Taiwan is to join the trade body.

The continuing tight labour market has led to complaints from business of a shortage of skilled and low skilled workers, which is adding to costs by driving wages up. Although the government was initially reluctant to import foreign labour, fearing it would stop companies upgrading, it has now relented and approved the importation of up to 50,000 workers, mainly from south-east Asia. But businessmen say this is not enough and wages will continue to rise faster than inflation. Rapid wage rises are most noticeable in newly reformed sectors of the economy. Earlier this year, for example, 15 new banking licences were granted, leading to intense competition for the island's scarce supply of experienced commercial bankers.



KEY FACTS

Area	36,000 sq km
Population	20.6m (end 1991 estimate)
Head of state	President Lee Teng-hui
Currency	New Taiwan dollar (T$)
Average exchange rate	1991 US$1 = T$26.81
	1992 (Jan-Sep) US$1 = T$25.09

ECONOMY	1990	1991
Total GDP (US$bn)	163.6	175.4
Real GDP growth (%)	4.9	7.3
GDP per capita (US$)	8,100	8,597
Components of GDP (%)		
Private consumption	54.3	53.9
Total investment	22.2	22.9
Government consumption	17.6	17.9
Exports	47.7	48.3
Imports	-41.7	-43.0
Consumer prices (% change pa)	4.1	3.6
Ave earnings in manufacturing (% change pa)	13.5	11.0
Ind production (% change pa)	-1.9	7.3
Unemployment (% of lab force)	1.7	1.5
Reserves minus gold (US$bn Dec)	72.4	82.4
M1 growth (% pa)	12.1	-6.6
Prime rate (% year end)	10.25	9.25
Current account balance (US$bn)	10.9	12.0
Exports (US$bn)	67.2	76.2
Imports (US$bn)	54.7	62.9
Trade balance (US$bn)	12.5	13.3
Main trading partners (1991, % by value)	Exports	Imports
US	29.3	22.5
Japan	12.0	30.0
Hong Kong	16.3	3.1
Germany	5.1	4.6

Source: Economist Intelligence Unit

With elections due in December, **Angus Foster** looks at politics

On the route for democracy

TAIWAN takes a significant step towards democracy in December with the first fully representative elections to the Legislative Yuan, or parliament. Constitutionally, this body approves the government budget and has authority over a range of government bills. But its powers have rarely been used and its credibility was undermined until last year because more than half its members were elected in mainland China in 1947-48, before the Nationalist government fled to Taiwan.

The old guard retired last December, paving the way for the direct election on December 19 of 125 legislators, six representatives of overseas Chinese communities and 30 "at large" seats decided by each party's vote in constituency elections.

The new status likely to be accorded to legislators suggests the Yuan will become more like a western parliament with questioning and debate of government policy. Social issues could become more prominent.

Division on these and other issues could emerge within the ruling Kuomintang (KMT) party. A struggle for supremacy is also possible between the Yuan and the National Assembly, which elects the president and adopts constitutional amendments.

But Taiwan's progress towards full democracy, initiated with the lifting of martial law in 1987, has so far been relatively smooth and the KMT is expected to easily win a majority of the seats on offer in December. The party will stress the island's economic success, steady moves to democracy and stable relations with China as reasons to support the government.

"The great majority of voters are, economically speaking, doing well and they are happy," said James Chu, KMT spokesman.

The main opposition Democratic Progressive Party, meanwhile, has been muted since it campaigned on an independent Taiwan ticket in last year's elections for the National Assembly. Although most Taiwanese support the existing state of de facto independence, the campaign frightened people who believe China's threat to use military force to reunify Taiwan if it seeks formal independence. China, of course, still regards Taiwan as a renegade province. The DPP polled only 24 per cent of votes and has decided to campaign on other issues this time. It will attack the government's US$306bn infrastructure spending plans for being inflationary and likely to lead to tax increases.

Mr Hsu Hsin-liang, DPP chairman, says he hopes his party will win 30 per cent of the vote. He complained, justifiably, that in spite of moves to democracy, elections are not fair. The KMT controls Taiwan's three television stations and, because candidates need to spend $1m or more getting elected, the KMT's links with business ensure it ample backing and an in-built majority.

The DPP is seeking to tone down its popular image as a group of firebrand radicals. Fist fights in the legislature, which were mainly designed for show and reflected the opposition's frustration at being in such a minority, are likely to die away. But the DPP's poor internal organisation suggests it will take time for the party to decide whether it should be a responsible opposition in a dominant party system, or return to merely a protest movement.

Lee Teng-hui: first Taiwanese president

The independence issue has not been resolved either, although it has been temporarily shelved. According to opinion polls, most Taiwanese are happy with their present state of de facto independence and would welcome eventual reunification with a democratic China. But younger Taiwanese are less sure and are frustrated by Taiwan's lack of international recognition. Taiwanese also resent the continuing grip on power held by descendants of mainlanders who fled to Taiwan in 1949 but make up less than 15 per cent of the population.

Although Mr Lee Teng-hui is the island's first Taiwanese president, Mr Hau Pei-tsun, who as premier has effective day-to-day control over the island, and most of his senior cabinet are mainlanders. "The line between Taiwanese and mainlanders is still very clear," said Mr Lin Yu-siong, a Taiwanese KMT legislator.

This division is likely to come to the fore again next year in the lead up to the KMT's party congress and is symbolised by a simmering dispute over the method of election for the next presidential elections, due in 1996.

President Lee and his supporters are believed to be in favour of direct elections while conservatives within the administration, many of them mainlanders, would prefer elections through a form of electoral college to limit the popular appeal of the president's office. The issue is further complicated because elected members of the National Assembly fear their most important function would be redundant if direct elections took place.

A heated debate on the issue within the KMT reached impasse in March and the question has been put on hold. In a terse statement, the KMT said an extraordinary meeting of the National Assembly will be held by May 1995 "to select the method of electing the president and vice-president according to public opinion".

More than 1m Taiwanese will visit China this year

A slow rebuilding of contacts

TAIWAN'S relations with China have improved markedly following a series of so called pragmatic initiatives by President Lee Teng-hui starting in the late 1980s. But the widely differing views held by the two sides, and 40 years of open hostility, suggest further progress will be slow.

Taiwan last year recognised Beijing as the mainland's legitimate government. It has also established government and quasi-government agencies to handle cross-straits relations. Restrictions on visiting China and investing there have slowly been lifted, although all contact must still be indirect. More than a million Taiwanese are expected to visit China via Hong Kong this year, compared with less than 7,000 in 1987. Trade through Hong Kong in the first seven months of this year increased 34 per cent to more than $4bn.

The cautious opening to China is as important as other initiatives to increase democracy and to lift Taiwan's international status. "If we cannot deal with the cross strait relationship, constitutional reform and diplomatic improvements mean nothing," said Mr Wu An-chia, convenor for mainland affairs research at Chengchi University.

In return for its policy changes, Taiwan wants Beijing to recognise it as an equal political entity, allow Taiwan more international ties, and renounce the threat to re-unify Taiwan using force.

But China, which still sees Taiwan as a renegade province, is not prepared to confer any legitimacy on its government. China's position is that Taiwan should accept a solution based on "one country, two systems", as negotiated with Hong Kong. Taiwan is being offered more autonomy than Hong Kong, however. For example it could keep control of its defence forces.

The impasse has stalled progress on relaxation of Taiwan's ban on direct air, shipping and postal links with the mainland. Taiwan's national unification guideline, setting out the limits to mainland policy, makes clear lifting the ban is not a near-term objective. But pressure from Taiwan's businessmen, who say the ban increases costs of investing in China, has led to hopes the ban could be eased.

Taiwan's government seems more concerned to maintain the ban as an important negotiating position with which to squeeze concessions from China at a later stage. Meanwhile, China is also refusing to soften its stance on the use of force. This again is partly a negotiating position, and China also sees the threat as a way to limit the ambitions of Taiwan's independence movement.

Taiwan's opposition Democratic Progressive Party campaigned for independence during last year's national Assembly elections. After the party polled only 24 per cent of the votes, the issue has been sidelined, thus averting a serious rift with Beijing.

Most people in Taiwan are happy to maintain the island's present de facto independence, but do not support open calls for a split with Beijing. Assuming political and economic reform accelerates in China, reunification is regarded as a long-term inevitability.

In the short term, civilian and unofficial contacts will be built up and work will continue on problems stemming from both sides' refusal to recognise the other's legal system. Taiwan's government-funded Straits Exchange Foundation, which handles direct negotiations with China's equally non-governmental Association for relations Across the Taiwan Straits, has been negotiating endorsement of documents and indirect mail services with the Chinese. Discussions were aborted in March after the Chinese suddenly raised issues of sovereignty. "I urged them not to mix politics with technical matters," said Mr Chen Rong-jye, SEF secretary general.

Slow progress on China relations is also frustrating Taiwan's ambitions to boost its international status. South Korea's August decision to switch recognition from Taiwan to China was a severe blow to the island, removing its last Asian diplomatic ally.

Taiwan now has full diplomatic relations with 29 countries, although many – like Tonga and Guinea-Bissau – are only of symbolic importance. Worryingly, China seems keen to improve relations with South Africa, the only large country which still recognises Taiwan.

Taiwan has made progress improving unofficial links with France, especially, and with the Commonwealth of Independent States. Taiwan has also stepped up efforts to gain admission to international bodies, and was last year admitted along with China to the Asian Pacific Economic Conference grouping under the compromise title Chinese Taipei.

China probably assented to simultaneous entry as a precursor to dual entry to the Gatt. At the moment, the US is in favour of simultaneous entry, perhaps next year. Although entry would harm Taiwan by abolishing some import restrictions, membership is seen as a diplomatic imperative in Taipei.

One recent development, the slightly distasteful "bidding wars" between Taiwan and China for recognition by third world governments, may not last. Growing democracy in Taiwan makes episodes such as last year's stealing of Niger from China harder to justify. "People don't want their taxes spent on black Africa," one analyst said.

Angus Foster

Manufacturers are moving into lower labour-cost centres overseas

Mainland finds favour

Taiwan Aerospace is on course for co-production of the BAe 146

TAIWAN'S LOW-COST manufacturers are being forced to relocate overseas, as rising wages, high land prices and a strong Taiwan dollar decrease competitiveness and eat into profit margins.

"For the price of a factory worker in Taiwan, we can afford to employ 10 workers in China and 12 workers in Indonesia to do exactly the same job," says Mr Frank Kung, general secretary of Taiwan's Footwear Manufacturers' Association.

Before 1987 most overseas investment went to the US, one of Taiwan's closest trading partners. Since 1988, however, the emphasis has turned to south east Asian countries offering plentiful cheap land and labour.

According to government figures, Taiwanese companies have invested about $2.1bn in Asia since 1989. By July 1992, the Taiwan government had approved a total of $900m for Malaysia, $240m for the Philippines, $278m for Indonesia and $358m for Thailand. These figures do not include China where Taiwanese companies have invested, often illegally, since 1987. Although estimates vary, probably more than $3bn has now flowed into the mainland. Together with other Asian investment, this makes Taiwan probably the largest Asian investor in the region after Japan.

Last year Taiwan was the biggest foreign investor in Malaysia and Indonesia, investing a total of $602m in textiles, electronic and consumer goods and footwear.

Poorer countries in the region have shown their willingness to encourage foreign investors. Vietnam has liberalised its rules on foreign investment since the late 1980s and Taiwanese companies have been quick to take advantage.

By July this year, Taiwanese investment into Vietnam had reached $775m, more than any other country. Most of the projects were in chemicals, textiles, bamboo and wood products and food processing.

Taiwan's government actively encourages investment overseas, since cash can buy Taiwan the status and recognition it lacks in the diplomatic world. Indonesia, the Philippines and Singapore, have all signed investment guarantee agreements with Taiwan, and another is being negotiated with Vietnam, even though none of these countries recognises Taiwan politically.

In an attempt to spread investment more evenly in the region, Taiwan's government has been plugging Vietnam as a viable, low-cost location. Direct flights between Taiwan and Vietnam were started in August, and the Kuomintang(KMT)'s Central Trade Development Corporation, along with a subsidiary, has committed $450m to develop an export-processing zone and surrounding infrastructure, near Ho Chi Minh City.

However, there are now signs Taiwan's investments in south east Asia may have peaked, as investment into China has accelerated.

This "mainland fever" is mainly due to a cheap investment environment and common language and cultural ties. China's new commitment to economic reform, signalled earlier this year, has also persuaded businessmen to push ahead with projects which were on hold.

Most investment is in low-cost manufacturing and processing industries such as garments and electrical goods for export. Although the Taiwanese started by investing in the more open economies of Guangdong and Fujian, they are now going further afield and have even started targeting China's domestic market.

The government is increasingly concerned about the rate of investment in China, fearing vulnerability to political and economic changes on the mainland. China is also perceived as a fast-emerging competitor in the very industries that Taiwan is moving across the Strait. The government has therefore tried to prevent heavy and high technology industries from investing in China.

However, many observers think the recent trend for larger Taiwan companies to start looking at the mainland market will only continue.

Luisetta Mudie

Taiwan is being forced to upgrade its industry, says **Luisetta Mudie**

Hunt for cheaper locations

SINCE the late 1980s, rising wages and property prices have narrowed profit margins for Taiwan's low-cost manufacturers, while the unwillingness of an increasingly well-off population to do low-status, low-paid factory work has led to a tight labour market.

Faced with declining competitiveness, Taiwan is being forced to upgrade its industry and replace low-cost manufacturing, which is increasingly relocating to other cheaper Asian locations.

Appreciation of the Taiwan dollar against the US dollar has not helped. Footwear manufacturers say that profit margins of between 5 and 12 per cent when the Taiwan dollar was at 40 to the US dollar, were completely eaten away when it appreciated to 25.

Hardest hit and first to move operations overseas were textile companies, footwear manufacturers and producers of low value electronics. Manufacturing output in these areas has fallen by about 29 per cent since 1986. For example, production of electronic calculators fell from 68.3m sets in 1988 to 31.5m sets last year.

Output of heavy industries and chemicals has continued to increase. However, falling margins have put pressure on companies' investment in research and development."

The accelerating flow of investment overseas in recent months has led to concern that Taiwan's industrial base is being eroded.

Meanwhile, as the economy matures, growth in services has consistently been about 2 per cent higher than manufacturing. Some economists fear a serious decline, or "hollowing out", of Taiwan's industrial base. The Chung Hwa Institute for Economic Research has warned that as low-technology industry moves abroad, capital intensive industry must be upgraded and high technology businesses fostered to maintain smooth economic growth.

The government is therefore offering tax holidays and low interest loans to companies wishing to upgrade operations. Government officials claim "tens of billions" of Taiwan dollars will be available for this purpose, in the form of a cabinet development fund, to be administered on a case-by-case basis. It has also earmarked US$22.7bn of a US$303bn six-year infrastructure plan for industrial upgrading and research and development. Part of a US$31.6bn budget for education and cultural facilities, will also go to help lift the number of qualified and skilled workers.

Ten "emerging industries" have been targeted for development, including telecommunications, information technology, consumer electronics and semiconductors.

Within these industries, eight "key technologies" have been highlighted for improvement, among them optoelectronics, industrial automation, advanced sensing technology and biotechnology. The government hopes that a large proportion of this technology will be imported, or made available as a result of joint ventures with foreign companies.

One of the 10 selected industries is aerospace. Taiwan Aerospace, set up in 1991 to develop the island's aerospace industry, last month signed a memorandum of understanding with British Aerospace for co-production of regional aircraft. This should lead to significant transfers of technology from the UK.

Taiwan's first semiconductor plant costing US$152m is also a joint venture, between Texas Instruments of the US and one of Taiwan's leading computer manufacturers, Acer.

The government is also providing funds to companies wanting to improve management and marketing skills. Because Taiwanese companies tend to be small and family-managed, they have not emphasised marketing. Sports equipment manufacturer Kunnan, which uses the brand name ProKennex, is one of the few Taiwan companies which has achieved a measure of brand-awareness globally.

Some economists say, however, that government loans and spending will only help if the private sector simultaneously upgrades its industrial base. Private sector's gross fixed capital formation actually fell in 1990 for the first time since the early 1980s.

Investment has since accelerated but is growing slower than government or public sector investment.

Meanwhile, there are signs foreign investment is slowing. In the first eight months of this year investment fell 36 per cent to US$870m while manufacturing investment fell 54 per cent.

These figures are slightly distorted by legal changes which led to a rush of investment early last year. But businessmen in Taipei said the same factors which are forcing Taiwanese companies overseas, high costs and poor infrastructure, are also affecting foreign investors.

Profile: ACER

Keyed up for the world stage

TAIWAN manufacturers have not traditionally focused on marketing their own brand-name product. Instead, they have favoured high-volume production of low cost goods on an original equipment manufacture (OEM) basis, and the comparatively low financial risk which OEM offers.

Acer, however, has always sought to be the exception. The company's chairman, chief executive officer and founder, Mr Stan Shih, says he is in the process of transforming Acer into a multinational computer company, capable of competing with the main global players.

According to Mr Shih: "Our aim is to motivate Taiwan's people to succeed in removing the negative image of 'Made in Taiwan'."

Although Mr Shih believes that he can only increase international awareness of Acer products through marketing, Acer still relies on OEM for 30 per cent of its business, a proportion which Mr Shih would like to see augmented to 45 per cent. "On the whole OEM and our brand name business complement each other," he says. "OEM is also a very good way to share the cost of developing new technology."

Underlying Acer's strategy is Mr Shih's personal blend of ancient Chinese philosophy and modern management techniques.

"In the game of Go, first you conquer the periphery, then you conquer the centre," he explains. "Because Acer is not yet big enough to compete with the big US companies, we have found a niche in smaller markets, like South America and south-east Asia."

In Chile, says Mr Shih, people speak of Acer-compatible computers, rather than IBM-compatible. "We targeted the markets that none of the big players had reached yet. So even with limited resources we were able to dominate those markets," he adds.

Acer was set up in 1976 as Multitech International with 11 employees, and began production of IBM-compatible personal computers and software in the early 1980s, using the same microchip and software as the IBM equivalent, but selling for two-thirds of the price. By 1991, annual sales had totalled around US$1bn.

At a time when its competitors are hoping to sit out the downturn in the global computer industry, Acer's own-brand business actually grew by 45 per cent in 1991.

Acer has an annual corporate budget to boost brand awareness, of T$25m, which is considered high by Taiwanese standards. It has also restructured into a series of independent business units, designed to decentralise decision-making, which can spend up to four times that amount on marketing in various regions.

Earlier this year, a glossy $5m advertising campaign which uses shadows thrown by Acer products to convey hidden qualities of the product and images of the user, ran throughout Europe and the US. The "shadows" theme was conceived by Dentsu Young and Rubicam of the US, and is intended to suggest that there is more to Acer than meets the eye.

Despite the emphasis on marketing, repeated attempts to penetrate the US computer market have produced mixed results. In 1990, Acer tried to buy market share by acquiring a financially stretched US minicomputer manufacturer, Altos, for $94m.

The company had hoped to integrate its business hardware systems with Altos' Unix-based systems thereby gaining a ready-made foothold in high end production in the US. But minicomputers went out of fashion, and Altos continued to lose money.

Analysts say Acer paid too much for the acquisition. Altos' losses, and price-cutting due to the downturn in the computer market, led to Acer reporting a net loss of US$22.7m last year. However, Acer has since reported net earnings of US$3m in the six months ending June 30, 1992.

Acer's mass-merchandiser and superstore business fared somewhat better than Altos in Europe and the US. The company's exports of lower end products bound for outlets such as Best Buy and Bizmart of the US and Dixon's of the UK grew by around 170 per cent in 1991.

Luisetta Mudie

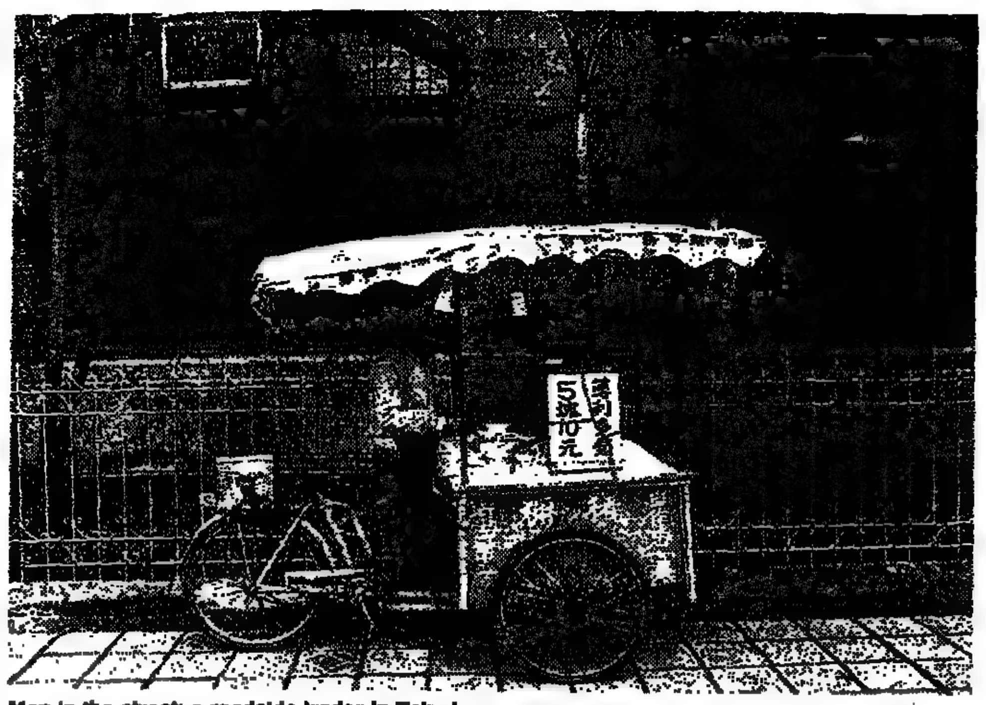
Luisetta Mudie sums up the advantages and disadvantages of Taiwan

Transports of despair

TAIWAN'S capital, Taipei, has little to recommend it. It combines the traffic problems of Tokyo and Bangkok with precious little of Hong Kong's efficiency; it is the capital of an island, recognised by very few governments, which is forever being confused with Thailand; it is the third most expensive city in Asia; it is harder to get a traveller's cheque cashed in Taipei than in Beijing; just to breathe the air is a health hazard... the list is endless.

However, Taiwan in general and Taipei in particular do have their advantages. The people are helpful, friendly and well-educated – many speak English. When the defeated Kuomintang troops fled to Taiwan in 1949, they brought with them some of the best chefs in China, and that culinary tradition is still upheld.

The city's young, increasingly well-heeled population creates a stimulating atmosphere with an abundance of night-life; the streets are safer at night than in most western cities, and traditional Chinese culture and festivals are still observed.



Man in the street: a roadside trader in Taipei

One of the first things a visitor to Taipei notices is the traffic. The explosion in transport occurred mostly over the past five years, when increasing prosperity began to mean crippling import tariffs were no longer a curb on demand for flashy cars. Status is emphasised, rather than utility, so Taipei's narrow back alleys can often be completely blocked by a monster of a Buick or Mercedes negotiating the gap between parked cars.

A six-year infrastructure development plan is intended to relieve Taipei's chronic problem, but the city's first Mass Rapid Transit urban railway system is not due for completion until next summer, and the entire network will not be in place until 1997. Until then, the ubiquitous yellow Taipei taxi will continue to be the main form of transport for foreign visitors, and still subject to the twice-daily rush-hour nightmare.

Jam-packed: one of the first things a visitor to Taipei notices is the traffic

Dining out in Taipei is never a problem. China's regional cuisine is well-represented, as well as most western fast food and "informal dining" chains.

There is a large choice for top-end diners, but don't be surprised if dishes are taken away before you think you have finished.

Lavish spending has become a way of life in Taiwan, and staff at expensive restaurants have been trained to give the impression that the customer is far too wealthy to want to clean off every plate.

Most of the international hotels have a good selection of restaurants, often with all-you-can-eat deals, or set menus. The Lai Lai Sheraton's Teppanyaki is a good example of this. Wine has hitherto been pricey as a result of a government monopoly on imports, but these were liberalised last month.

For an informal dining experience, Taipei's Indian Beer House is a must. It serves Taiwan's favourite dishes, that is, seafood and the delicious "three-cup chicken" with draught Taiwan beer to wash it down. Located on Pa Teh (Baader) Road next to the 24-hour filling station, it is easily recognisable by a dinosaur skeleton protruding from the roof.

Away from the smog, to the north of Taipei, sits the largest collection of Chinese art and antiques outside China. Brought to the island by Chiang Kai-shek's defeated Nationalists in 1949 after being carried the length and breadth of China by "coolies", the collection is housed in the National Palace Museum. It is so large that it takes about 10 years to rotate all the pieces stored in the vaults under the mountain.

Other worthwhile tourist attractions are the central cross-island highway, which runs through some stunningly beautiful scenery in the Taroko Gorge National Park. The eastern coastal town of Hualien is the best staging post for this trip, but check conditions during the summer typhoon season.

The Yangmingshan National Park, not far from the Museum, offers scenic hikes, sulphur baths, and speciality free-range chicken restaurants every 100 yards. Kenting, at the southernmost tip of the island, offers good seafood, sandy beaches and warm seas, which the locals put down to the proximity of Taiwan's third nuclear power station. Sun Moon Lake, near Taichung in central Taiwan, is to be avoided: the only amazing thing about it is that its water is clean.

Despite the economic miracle and the fact that Taiwan is fast approaching developed nation status, it is still only possible to exchange foreign currency into Taiwan dollars at hotels, or specially designated branches of the Bank of Taiwan.

Travellers' cheques can also be a problem if they are in sterling – usually all but the issuer will refuse to cash them. Exchange receipts should be kept – tourist visa holders cannot buy US dollars on leaving Taiwan without them.

The foreigner's answer to the question of Taiwan's identity varies from day to day, depending on who you talk to. The ruling KMT, which still exerts control over the electronic media, does its best to make Taiwan sound and look as Chinese as possible.

But beside the staunch KMT supporters there is a subculture of Taiwan nationalism, which ranges from older Taiwanese who remember the "good old days" under the Japanese, to the younger generation, which feels no cultural attachment to China.

Betel nut chewing, once confined to peasants and long-distance lorry drivers, is now becoming popular among white-collar professionals, intellectuals and teenagers, as an expression of something peculiar to Taiwan.

Although the three main Chinese traditional festivals: New year, the Dragon Boat Festival, and the Autumn Moon festival are still observed, and Beijing opera is on offer in Taipei's Hsimenting district, films by directors such as Hou Hsiao-hsien (City of Sadness, Dust of Angels) and work by the Cloud Gate dance company have a uniquely Taiwanese feel, which has in the past been regarded as subversive by KMT elders.

GUIDE FOR VISITORS

Arriving: The taxi ride into the city centre costs T$1000-1200, either from the rank, or call a private hire company on (03) 383 4531. The ride takes about one and a half hours.

Hotels: Most of the international hotels are convenient for central Taipei, and many negotiate packages with companies for executives on expenses.

Shopping: Main shopping areas are around Chung Hsiao East Road Sec 4, Nanking East Road Sec 1/2, the railway station, and Chung Hwa Road for consumer electronics.

Money: Hotels will exchange cash although not always travellers' cheques. Credit cards are not widely used, and there are no cash advances for cards issued overseas. Travellers' cheques in sterling are generally distrusted, although certain branches of the Bank of Taiwan exchange them in dollars. International Money Orders are a problem, and bank accounts can only be opened if you are a resident.

Water: Tap water not drinkable – hotels provide boiled water in flasks.

Telephones: International operator – dial 100; English-speaking directory – 311 6796 (limited listings); Calls to Europe: Peak rate five minutes – T$330; to the US: T$225.

Useful numbers: Tourist information hot-line – (02 outside Taipei) 717 3737; English-speaking police – 311 9940/311 9816 extension 264; CKS International Airport Service counter – (03) 398 2143; Women's help-line – 581 5469.

Visas: Tourist visas are good for 60 days, renewable for another 60 days in Taiwan. Available from Taiwan trade representative offices.

Further reading: Directory of Taiwan (bilingual) available from The China News, 11F, 110 Yenping South Road, Taipei, Taiwan. Price: $29.52 inc p & p. This Month in Taiwan – magazine available in all hotels.

The quality of life has fallen because of an overloaded infrastructure

Poor planning slows progress

TAIWAN may be well be on the way to developed nation status in terms of per capita GNP, but a lack of government attention to the overburdened infrastructure has meant the quality of life on the island has deteriorated.

Years of rapid economic growth with poor environmental controls and economic planning have left Taiwan with heavy pollution levels in soil, air and water, an unreliable power supply and an overloaded road and rail network.

The six-year development plan, which runs until 1996 and has a total budget of T$8,200bn, is an attempt to bring together more than 770 badly needed projects. The areas of most urgent need are transport, communications, utilities and environmental protection, which receive 49 per cent of the budget.

As part of an attempt to even out economic development across regions, Taiwan is to be divided into 18 community hubs, each with its own transport network, shopping centres and industrial zone. Much of the land needed will be converted from agricultural use.

Among the larger projects are a fourth nuclear power station, urban mass transit railway systems for Taiwan's main cities, a pumped water power project and a high-speed railway linking Taipei to the southern city of Kaohsiung. Taiwan's two international airports and container port facilities are also to be expanded.

Some of the projects were not due for completion in six years and some projects have already been delayed due to poor planning. More than 30 projects were delayed in the first year of the plan alone.

The government has held up bond issues related to current projects worth T$156bn. Delayed funding will be incorporated into future budgets.

The method of financing the various projects has also generated considerable controversy. The Council for Economic Planning and Development, which oversees the six-year plan, says that of the T$8,200bn budget, T$1,900bn will come from already approved government spending and T$2,700bn will be financed by the public and private sectors. The remaining T$3,600bn is to be raised from government capital accounts, including T$1,100bn from the sale of bonds and government property.

Some economists estimate, however, that the government will need to issue more than T$5,000bn in bonds by the end of the century if the six-year plan is to be completed in full, and this is almost certain to lead to further inflation.

Vice-finance minister Mr Lee Chung-ying says that his ministry has agreed in principle to support the financing of infrastructure projects from a government deficit. "But government borrowing's proportion of GDP is expected to increase from 6 per cent to 40 or 50 per cent," he adds. "We think that is too much." However, the finance ministry says it is not considering raising taxes.

Since July 1991 the government has issued T$102.5bn of bonds to finance current projects. The main opposition party is calling for large-scale cuts in projects, which it believes are too expensive, as part of its election platform.

Meanwhile, there have been allegations that some companies with close government links have been favoured in the bidding process and awarding of contracts.

Despite these setbacks, the size and scope of the six-year plan has attracted high-level trade missions from countries with companies interested in bidding for important contracts. Bilfinger and Berger of Germany and Matra of France, have each been awarded contracts to build lines for Taipei's urban mass transit railway (MRTS), worth US$756m and US$270m respectively.

Siemens of Germany has been awarded the contract to build a new gas-fired power plant in southern Taiwan. An initial budget of T$7.9bn for Taiwan's fourth nuclear power plant was approved this year, and Ebasco Engineering of the US has been contracted as consultant for the first phase of construction.

However, projects for which Taiwan already possesses technology and experience, are likely to be awarded to Taiwan companies.

Luisetta Mudie

Moves to liberalise the securities market are 'too little, too late'

Financial image gets a shine

TAIWAN'S government has long been criticised for moving too slowly to improve the image of the island's financial markets.

But last month the government cracked down on illegal margin lending, licensed 11 new foreign mutual funds, and speeded up approvals for inward remittances by foreign fund managers for investment in equities, although these remittances are still subject to clearance by the island's central bank.

The sudden surge of activity constituted an attempt to whip up confidence in Taiwan's sagging stock market, after the discovery of stock defaults worth more than US$320m, and the detention of two of the market's "big hands", or stock speculators, last month. The market fell more than 10 per cent at one stage, although it has since recovered slightly.

Foreign fund managers say, however, that the government's moves were too little, too late and the conservative central bank remains a barrier to securities market liberalisation.

Mr David Yu, research manager at Wardley James Capel, said: "[The recent measures] are better than nothing. But inward remittances should be approved by the Securities Exchange Commission (SEC) alone. It's unreasonable that the central bank has so much control."

Under the present system, inward-bound funds already approved by Taiwan's SEC can still be delayed for months, or even finally refused, if the central bank thinks they might contribute to Taiwan dollar appreciation.

The finance ministry had originally hoped to attract US$2.5bn to Taiwan in foreign institutional investment, to broaden the investor base. Since an application by Hong Kong's Jardine Fleming was first approved in March 1991, however, only US$735m has been remitted to Taiwan, by 14 fund managers. These include Fidelity Investments of the US, and Pierson, Hendring and Pierson of the Netherlands.

The problems in the stock market sum up for foreign investors the problems that Taiwan faces in its ambitions to become a regional financial centre. There have been cautious moves towards reform. But financial markets remain poorly structured, for example 70 per cent of investment comes from individuals, rather than institutions, and the government retains significant control over markets which it deems strategic, such as foreign exchange.

One area which has been reformed, however, is domestic commercial banking, where 15 new local banks began operations at the beginning of this year, ending 40 years of a near-monopoly by state-run banks, and almost doubling the number of domestic banks within four months.

The newcomers have initiated feverish competition within the banking industry, particularly in short-term lending, mortgages and demand deposits, which now make up around 60 per cent of all their deposits.

The new banks, which have a minimum paid-in capital of US$400m, have been permitted to increase their number of branches at a faster rate than the established banks. However, they are not likely to be licensed to handle the simplest foreign exchange transactions for at least another year.

The suddenness with which the banking sector was opened up has generated fears among industry observers that there will not be enough business to go round. Many predict failures, or at best mergers, within the next few years.

The government has said bank failures are not its responsibility, but the shareholders', among whom are some of Taiwan's largest companies. Vice-finance minister Mr Lee Chung-ying said: "In a free-market system, you can't prevent banks from going under," but added that his ministry periodically runs checks on the newcomers' books.

In an attempt to improve financial facilities for Taiwanese investors in mainland China, the government last month also allowed Taiwan banks to do business with branches of Chinese banks overseas, and Chinese branches of foreign banks, although direct financial links with China are still banned.

The sudden expansion of commercial banking has led to complaints from foreign banks, whose margins are being pared away by the new competition. Foreign banks have only recently been permitted to apply for a second branch in Taiwan, and are not allowed to open subsidiaries. Foreign bankers say they would also like to see faster progress in foreign exchange markets.

The government has been moving slowly on drafting regulations for new financial products. Taiwan still has no domestic futures market, although a law allowing trading in foreign futures through foreign brokers will come into effect this November. Implementation may take some time.

Other reforms, which may also be delayed due to differences within the government on the speed of change, include the completion of a new law abolishing foreign exchange controls except in a state of emergency, to go before the legislature within the next year.

The government has begun processing applications for new domestic insurance companies. Among foreign insurers only American insurance companies, or US subsidiaries of non-US companies, are at present allowed to set up branches in Taiwan. However, this situation may change due to pressure on Taiwan to liberalise its financial services markets in order to enter the Gatt.

Luisetta Mudie

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JOBS: At best only temporary work for nearly £650m worth of the products of UK higher education

A sad final bow for the polytechnics

FIRST the good news. Last year was the worst on record for young people seeking work after winning degrees at Britain's universities, polytechnics and colleges.

At the end of December, near a fifth of the summer's crop of new graduates were left with no more productive employment than a temporary job expected to last at most three months. The precise number registered as in that pickle was 24,893, 19 per cent of the total bachelor-degree output of 130,685, and representing a taxpayers' investment in higher education approaching £650m.

The bad news is of course that the present year, although not yet on record, looks sure to be still worse. The most sober-minded estimate puts demand by employers at 40 per cent down on the meagre level of a year ago.

An idea of what happened to the crop of 1991 is given by the table alongside. Unfortunately, owing to a certain laggardliness in official number-crunching, it omits the lowest of the then three tiers of degree-level teaching institutions: colleges of higher education which produce 8.5 per cent of Britain's graduates.

To complicate things further, the two upper tiers are henceforth to be as one, with even the few polytechnics that haven't already become universities about to undergo said apotheosis. But, since they were still polys in 1991, I have differentiated them as such in the table.

It begins with the total *numbers of bachelor's-degree* winners produced by the then two upper tiers last summer, together with the totals the year before. After the separate figures for the universities and for the polys, come their combined output *for 1991 and the number of* graduates by which it differed from the corresponding figure in 1990: an increase of 6,905.

Reading downwards, we next have – in bold type – the overall numbers who found jobs in the *United Kingdom which were* "regular" in the sense of holding out career expectations. Below that, in light type, is a breakdown of the types of jobs found. Then comes a similar analysis of the numbers who continued in education or training in the UK.

Lastly we have other activities broken down into three different groups. The first lumps together overseas students who returned home with Brits who moved abroad. The next consists of graduates who had disappeared from their Alma Mater's ken by the end of the calendar year. The last – "At best short-term UK job" – itself includes three types of people.

One is those believed still unemployed at the end of the December. The second is those deeming themselves not available for employment at all, as distinct from having re-joined some organisation which had kept them on its books during their *studies. The third is those* with only a temporary UK job likely to last at most three months.

WHAT NEW GRADUATES DID:	UNIVERSITIES 1991	%	1990	%	POLYTECHNICS 1991	%	1990	%	Combined total 91	Change from 90
Total gaining bachelor's degrees	**77,449**	**100.0**	**75,971**	**100.0**	**41,928**	**100.0**	**35,501**	**100.0**	**119,377**	**+6,905**
Entered regular jobs in UK:	**29,681**	**38.4**	**33,831**	**44.4**	**15,428**	**36.8**	**16,228**	**44.5**	**45,109**	**–4,950**
including: Managerial work	2,824	3.4	2,918	3.8	1,781	4.3	1,595	4.4	4,405	– 108
Research, design, development	3,907	5.0	5,056	6.7	2,147	5.1	2,877	7.9	6,054	–1,879
Engineering & science support	623	0.8	691	0.9	408	1.0	426	1.2	1,031	– 86
Environmental planning	1,123	1.5	1,515	2.0	1,274	3.0	1,773	4.9	2,397	– 891
Buying, marketing and selling	1,979	2.6	2,413	3.2	1,373	3.3	1,306	3.8	3,352	– 367
Management services	1,867	2.4	2,427	3.2	1,275	3.0	1,545	4.2	3,142	– 830
Financial work	4,935	6.4	6,188	8.1	1,328	3.2	1,620	4.4	6,263	–1,545
Information, library & legal	794	1.0	945	1.2	390	0.9	426	1.2	1,184	– 187
Personnel & welfare services	7,368	9.5	7,621	10.0	1,588	3.8	1,587	4.3	8,954	– 254
Teaching and lecturing	1,478	1.9	1,399	1.8	2,173	5.2	1,874	5.1	3,651	+ 438
Other kinds of work	2,985	3.9	2,718	3.5	1,691	4.0	1,199	3.3	4,676	+ 759
Continued education in UK:	**19,151**	**24.7**	**16,189**	**21.4**	**5,914**	**14.1**	**4,648**	**12.7**	**25,065**	**+4,228**
Including: Academic study	9,556	12.3	7,865	10.4	2,447	5.8	1,906	5.2	12,003	+2,232
Teacher-training	3,317	4.3	2,552	3.4	1,135	2.7	812	2.2	4,452	+1,088
Other training (including legal)	6,278	8.1	5,772	7.6	2,332	5.6	1,930	5.3	8,610	+ 908
Other activities:	**28,617**	**36.9**	**25,951**	**34.2**	**20,586**	**49.1**	**15,625**	**42.8**	**49,203**	**+7,627**
Returned or moved overseas	7,619	9.8	6,823	9.0	3,622	8.6	2,096	5.7	11,241	+2,322
Situation unknown at Dec 31	7,855	9.9	7,801	10.3	7,441	17.8	6,710	18.4	15,096	+ 585
At best short-term UK job	13,343	17.2	11,327	14.9	9,523	22.7	6,819	18.7	22,866	+4,720

The results of the continued *plunge in employers' demand* from 1990 to last year can be seen from the changes in the table's right-hand column.

Every sort of regular work was down except teaching/lecturing, and the miscellaneous category. There were rises in all types of continued education. The same went for all the "other activities", whose combined increase of 7,627 was over 10 per cent greater than the 6,905 rise in the universities' and polytechnics' total output.

The single category showing much the biggest increase was "At best short-term UK job". On that particular measure, the universities fared least badly with 17.2 per cent of their 1991 crop so afflicted. (The colleges of higher education, not in the table, weren't much worse with 17.9 per cent of their total graduate output of 11,308 – or 2,027 individuals who, with the addition of the two upper tiers' 22,866 in the same sad position, produce the "precise number" of 24,893 I mentioned earlier.)

The polytechnics fared worst with 22.7 per cent, which is doubly disturbing when one recalls that it is the reverse of what was promised when most of them being set up a generation ago. The politicians responsible *pledged that, while having* "parity of academic esteem" with universities, the polys would be far more geared to serving the employment market.

In the event, of course, they have turned out otherwise. Indeed it seems odds-on that, of the final output of graduates they have produced under the name of polytechnics this past summer, at least a quarter will be in the at-best-short-term category at the end of the year.

Still, that is far from the only example – let alone the most recent – of politicians' breaking their pledges, or of failing to control the mechanisms they have brought into being at the taxpayers' expense. And besides, perhaps the polys' *elevation* to the title of universities will help them to do better all round. After all, there is evidence that some employers snobbishly refused to recruit at them simply because they went under a lower-*status name*.

Michael Dixon

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ACCOUNTANCY COLUMN

Municipal Mutual and the insolvency quagmire

By Andrew Jack

THE FINANCIAL troubles of Municipal Mutual, the company which insures nine out of 10 local authorities and many individuals, have once more brought the spotlight on to the need for urgent reform of insolvency legislation.

While policyholders – as well the beneficiaries of local government services and poll tax payers around the UK – are watching for the immediate outcome of negotiations with MMI over its future, MMI's problems have emphasised how greater attention should be paid to the wider framework within which the insurance business operates.

Every recent case of an insurance company experiencing difficulties has powerfully illustrated the argument for reform. Two issues in particular need to be addressed: the tools used by regulators to scrutinise corporate financial health, and insolvency procedures available when a company is unable to continue operating.

One of the most immediate concerns for MMI's creditors – stoked by criticism from the Labour party – is the role of the Department of Trade and Industry. As the regulator of insurance companies, should it have intervened more vigorously when signs of trouble first emerged?

MMI's difficulties did not come as a surprise. A heavily qualified audit report in the accounts for the year to December 31 last year, which was issued this July, showed clearly that the company had fallen below the statutory minimum solvency margin.

The message resounded among MMI's leading creditors, represented by the Association of Metropolitan Authorities, Association of District Councils, Association of County Councils and the Convention of Scottish Local Authorities. These organisations hired accountants at Touche Ross to investigate.

Touche Ross's report issued at the end of September concluded: "There is a strong possibility that MMI will cease trading in the very near future and be placed in some form of insolvency proceedings ... We recommend that the associations advise members to seek alternative cover when policies are due for renewal."

The DTI was clearly not in the dark either. It said last week that it had been in discussions with the directors of MMI over the future of the company at least as far back as March. It held back from using its powers to request a winding-up petition.

Criteria used by the DTI for assessing viability are somewhat opaque. They include a series of qualitative as well as quantitative measures such as profitability, liquidity and strength of setting aside reserves against future claims.

Fundamental and enshrined in law, however, is the solvency margin, which is defined as the ratio of a company's net assets (its capital and free reserves) to the amount of premium income received in a given year. It measures the ability to pay claims.

The DTI stresses that there is no single magic figure for the ratio below which it will act. Legislation – notably the 1982 Insurance Act – lays down specific formulas by which it can be calculated for different companies. Officials say they might normally be content if the figure is twice the 16 per cent minimum set down in EC regulations.

The solvency ratio is also widely used by brokers and analysts. But many are becoming disillusioned with its effectiveness. It ought to be a proxy for the scale of risk being assumed. The stronger a company's capital base, the less the chance of it being unable to pay claims and the more insurance it can sell.

Yet that was no help in assessing Trinity Insurance, for example, which had a very high solvency margin and yet still became insolvent earlier this year.

The ratio's limitations include the fact that it does not measure the level and adequacy of claims reserves. It takes no account of the level of risk involved. Paradoxically, increasing premiums could reduce the ratio, while cutting premiums to uneconomic levels would increase it.

The ratio does not show the strength of a company's financial base, the details of its reinsurance arrangements, the type of insurance it underwrote, or the size of its management expenses.

Finally, assessments of the lowest acceptable level of solvency vary between regulators and the market, as well as over time. As a result, using the ratio is fraught with difficulties.

A more fundamental problem is that the DTI's powers as a regulator are limited. If an insurance company breaches its solvency margin, all the department can ultimately do to petition the court via the secretary of state to appoint liquidators. There is little flexibility between that extreme and simply continuing discussions with a stricken company.

That raises a wider point about the nature of insolvency proceedings for insurance companies. The existing law is not compatible with the structure of the sector, at least as far as non-life companies with "long-tail" business are concerned.

A whole series of difficulties arise if a insurance company is liquidated. There are legal disputes about whether reinsurers have to pay claims to such a company in full. The insurance market is disrupted. Policyholders experience lengthy, costly and tortuous procedures.

Perhaps most important, it takes many years before creditors can be paid. It is impossible to pay out until all liabilities are established. These rise regularly as actuaries adjust future claims each time new legal settlements occur. Meanwhile, insolvency practitioners are reluctant to pay out interim dividends since they are personally liable if they over-estimate the amount to be paid out.

There are two intermediate solutions. An informal scheme of arrangement, or a formal scheme under Section 425 of the 1985 Companies Act, would allow a more orderly run-off of existing insurance business with claims being paid as they arise.

But such negotiations are extremely delicate and time-consuming. A formal scheme requires support from at least 75 per cent of creditors by value. The first example of such a formal scheme, applied in the case of a small company called Monument Re., has only just been approved after nine months of discussions.

Reptition on a larger scale will not prove easy. The directors of Walbrook, the insurance and reinsurance company with gross liabilities of more than \$2bn, attempted to put together an innovative informal scheme in July with its leading creditors. But they refused to co-operate, and the company is now in a formal scheme with liquidators appointed.

With MMI, the challenge could be equally great, given that the company will have to cope with claims from more than one million individual and local authority policyholders.

The logical alternative – which was made possible under the 1986 insolvency act – is administration, the nearest UK equivalent to Chapter 11 in the USA. That would grant the company protection against its creditors, and give it time to re-organise in an attempt to continue operating. Yet for unknown reasons, the insolvency act specifically excluded insurance companies from eligibility.

Administration still has limitations. As currently drafted, only two of its four strategies are feasible for insurers: a formal or an informal scheme of arrangement. Mr Colin Bird, an insolvency partner at Price Waterhouse, has recently been discussing changes to the law with the DTI which would introduce a fifth approach.

Mr Bird and a number of his colleagues would like to see the DTI able to impose insolvency proceedings which would allow run-off to take place. That would allow the practitioners taking control of a company to pay at least a proportion of claims as they arise, and give a quicker and less expensive solution for creditors. Without change in legislation, there can be little assurance for creditors to insolvent insurers.

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LONDON STOCK EXCHANGE

Equities firm on chancellor's speech

By Terry Byland, UK Stock Market Editor

THE UK stock market gave a relatively favourable response to the keenly awaited exposition of the government's economic strategy from Mr Norman Lamont, the UK chancellor of the exchequer. While his speech to the Conservative party conference damped down expectations of an immediate base rate cut which had spurred shares *ahead early in the session*, the stock market had decided by the close that lower rates are still in prospect before the year-end.

The FT-SE Index bounced convincingly above the 2,530 hurdle, touching 2,547.3 ahead of first reports of the chancellor's speech. Suggestions of an immediate cut in UK base rates were sparked off by the announcement that the Treasury planned a statement, but the driving force behind equities was the sharp recovery in the pound against the DM, which was encouraged by the Bundesbank's apparent softening of emphasis *on some* money supply targets. Hopes of a cut in German interest rates strengthened in London.

As first reports of the chancellor's *speech reached the* City of London, sterling came off quite sharply and equities also reacted to the absence of any immediate developments *on interest rates.*

The gain on the *Footsie* was trimmed from 30.2 to 17.1 but selling was moderate and traders recovered their confidence as they watched Mr Lamont's speech on their television screens.

By the close, the market had climbed to a final reading on the Footsie of 2,538.8, for a gain of 21.7 on the day. The Footsie has now recovered all but 11 points of Monday's dramatic 103 point loss, and equity chart strategists believe it could be set for an advance to the 2,790 area, especially if interest rates are reduced in the UK and in Germany.

Seaq volume of 517.6m shares yesterday compared with Wednesday's 545m, worth £1.1bn in retail business, a welcome return to the business levels seen after Britain's exit from the ERM in mid-September.

Also heartening for the stock market was the continued flow of corporate activity, some actual and some merely rumoured.

Hints of international bid interest took brewery stocks ahead and a substantial share placing in the insurance sector again demonstrated the appetite of the institutions for good quality stocks.

Firmness in the US currency against sterling continued to boost the dollar earning stocks. US interest was again reported among the pharmaceuticals, where Glaxo and Wellcome extended recent gains. UK institutions have been sellers of the big drug stocks over the past month but sector analysts in the UK now believe that *prices will recover strongly on* the back of demand from across the Atlantic.

Gains in the interest-related stocks were fairly modest, however, and investors appeared to be slightly disappointed by the absence from Mr Lamont's speech of a target range for sterling. The progress of the pound on currency markets is still the key factor in the timing of further reductions in UK interest rates.

Account Dealing Dates		
*First Dealings:		
Sep 21	Oct 5	Oct 19
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Oct 2	Oct 16	Oct 30
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*New time dealings may take place from 8.30am two business days earlier.

Refuge stake placed

THE PLACING power of Cazenove, the UK broker which has been notably successful in holding on its post-Big Bang influence in the UK equity market, was in evidence again yesterday as it bought a 10 per cent stake in Refuge Insurance and successfully placed the shares with institutional clients.

Cazenove bought the 5.16m shares from Canadian Refuge Holdings for 645p a share and sold them on at 650p a share. The deal is the second big bought deal involving Cazenove in two days. On Wednesday, in a joint effort with Warburg Securities, it bought and sold a 9 per cent stake in Anglian Water from Lyonnaise des Eaux, the French group, a deal that netted the two broking firms more than £1.32m. Yesterday's deal was thought to have delivered a profit of more than £250,000 for Cazenove.

Refuge Canada Holdings, a *separate Canadian life assurance* group, held the stake in Refuge Holdings for many years. Refuge shares held rock steady throughout the session, *closing at 680p. Other life* shares suffered from selling by institutions keen to take advantage of the big discount available in the Refuge placing. *Legal & General* slipped 7 to 333p, Lloyds Abbey 7 to 331p and London & Manchester 8 to 234p.

Reuters wanted

A profits upgrading, hints of a forthcoming share split and expectations that an upcoming visit by *leading UK* analysts to the group's US operations may bring further re-ratings, triggered a strong rise in Reuters shares. The stock ended a busy session a net 22 higher at 1,264p on relatively good volume of 588,000 shares.

Goldman Sachs, the US brokerage, upgraded its profits forecasts for the group to reflect the weakness of sterling, pencilling in earnings per share of 69.7p for 1992, up from 66.6p, and 78.6p for 1993, up from 76.2p, to allow for earnings growth of 11 per cent, against a previous estimate of 10 per cent. Goldman labelled Reuters "our number one stock idea".

Next week Reuters is taking a group of 10 leading UK analysts on a visit to Chicago, to view the Chicago Board of Trade market and the Chicago Mercantile Exchange to observe Reuters' Globex automated trading systems, and then on to New York to see its Dealing 2000 system in operation. A presentation to UK and US analysts is also planned for later this month.

Arjo Wiggins Appleton, the packaging and paper group which fell from grace after a totally unexpected cut in the interim dividend last month, suffered another setback as one broker clipped its profits estimate. The shares closed 7 down at 156p, a fall of 4.3 per cent on the day, making the stock the weakest performer among Footsie constituents. Turnover was a hefty 4.2m.

Yesterday's decline followed a profits downgrade instigated by County NatWest. The broker, citing growing recessionary pressures, chopped its 1992 forecast from £180m to £170m. County said Arjo shares have bounced some 30p since the dividend shock three weeks ago and that "any further strength in the share price should be seen as an opportunity to trade out".

Asda upgrades

Positive hints over trading continued to underpin the rise in Asda shares, ahead 1¾ at 38¼p in hefty turnover of 18m, the heaviest traded stock of the day. Nomura and UBS Phillips & Drew both upgraded the stores group yesterday after speaking to the company, raising their estimates to £95m and £110m respectively for this year.

While word from the company is that trading has slightly improved, analysts cautioned that the company was starting from a low base and the shares were only a *good buy on a short-term* recovery and yield potential.

Currency considerations gave a boost to selected pharmaceutical stocks. Glaxo added *18 to 777p and Wellcome 27 to* 975p.

In the hotel sector, a large buyer of stock in Queens Moat Houses saw the final turnover reach 10m. The shares rose 1½ to 35¼p. Forte gained 5 to 159p aided by a renewed buy recommendation from UBS Phillips & Drew.

Grand Metropolitan's return to favour continued, the shares climbing 3 to 391p, helped by US broking house Merrill Lynch raising its intermediate term rating to above average from neutral. Hints that tobacco giant Philip Morris might be interested in buying Heineken boosted Whitbread, which has a licensing agreement with the Dutch brewer. The 'A' shares jumped 17 to 433p.

Switching from Sainsbury, 6 up at 463p, into Tesco was reported from a number of institutions. Tesco's closed 7 ahead at 223p in heavy turnover of 9.6m, helped also by a reiterated buy recommendation from UBS Phillips & Drew.

Talk that the chairman and chief executive at conglomerate Trafalgar House were about to resign did the rounds. The company is under siege from Hongkong Land, which last week took a 15 per cent stake in Trafalgar and is shopping for an equivalent stake. *The shares edged 1¼ forward* to 86¼p, just ahead of the 85p offered by Hongkong Land, on turnover of 4m.

Turnover in motor components *group T & N rose to 9.4m* and the shares gave up 3 to 138p on reports that agency broker James Capel had carried out a placing of 4.5m shares with a majority of the day's business dealt at the 135p level.

Shares in engineering group Siebe, depressed of late by a *stock overhang*, were wanted yesterday and gained 8 to 347p. Kleinwort Benson, the company's broker, was reported to have shown a keen interest in *the shares*.

It was a stock overhang early in the session but which later cleared that caused a retreat in IMI, and the shares ended 7 lower at 228p. Also busy yesterday were APV and Vickers. The former firmed a penny to 77½p, while the latter lost a penny to 90p.

Lonrho fell 5 to 59p, with BZW reported to have downgraded current-year profit estimates.

The high street banks made more good progress, NatWest adding 11 at 348p on 3.4m traded and Barclays, despite the lingering dividend concerns, a further 5 up at 342p. Standard Chartered put on 5 at 481p with speculative buying stimulated by hints of a possible bid from the Far East.

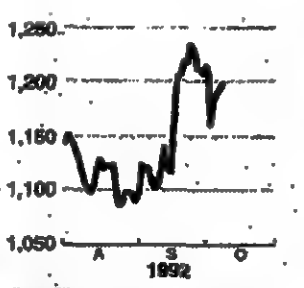
The prospect of a post-ERM burst of lucrative mergers and acquisitions was behind keen demand for the merchant banks. Kleinwort Benson rose 9 to 290p after an agency cross of 350,000.

Sun Alliance retreated 7 to 286p, after news of the merger of the Australian non-life operations of Sun and Royal Insurance. Dealers were surprised at the decline in Sun shares: "it looks a sensible long-term deal," said one specialist.

MARKET REPORTERS:
Joel Kibazo
Steve Thompson,
Christopher Price.

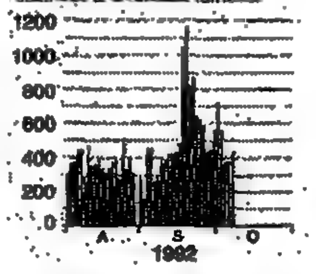
■ Other market statistics, Page 39.

FT-A All-Share Index



Equity Shares Traded

Turnover by volume (million) Excluding: intra-market business & Overseas turnover



FINANCIAL TIMES STOCK INDICES

	Oct 8	Oct 7	Oct 6	Oct 5	Oct 2	Year Ago	1992 High	1992 Low	Since Compilation High	Since Compilation Low
Government Secs	88.86	88.33	88.04	87.72	88.85	86.58	90.11 (14/9)	85.11 (1/4)	127.40 (9/1/35)	49.18 (3/1/75)
Fixed Interest	103.01	102.71	102.31	102.54	103.76	96.55	106.46 (14/9)	97.15 (2/1)	106.46 (14/9/92)	50.53 (3/1/75)
Ordinary Share●	1870.4	1847.3	1814.2	1779.3	1852.5	1956.4	2149.7 (22/5)	1870.0 (1/9)	2149.7 (22/5/92)	49.4 (26/6/40)
Gold Mines	73.1	71.8	69.4	68.6	73.1	187.1	180.8 (10/1)	65.0 (10/9)	734.7 (15/2/83)	43.5 (26/10/71)
FT-SE 100 Share	2538.8	2517.1	2488.4	2446.3	2549.7	2570.8	2737.8 (11/5)	2281.0 (25/8)	2737.8 (11/5/92)	986.9 (23/7/84)
FT-SE Eurotrack 200	1060.95	1052.71	1035.93	1010.09	1062.72	1150.96	1248.79 (11/5)	1010.09 (5/10)	1248.79 (11/5/92)	938.62 (16/1/91)
●Ord. Div. Yield	4.78	4.82	4.89	4.98	4.79	4.74				
●Earning Yld %(full)	6.94	7.01	7.10	7.23	6.98	7.56				
●P/E Ratio(Net)(☆)	18.26	18.08	17.85	17.53	18.15	16.53				
SEAQ Bargns 5.00pm	18,847	18,571	20,848	22,892	26,423	30,011				
Equity Turnover(£m)†	-	1050.5	811.5	885.0	1094.4	1011.31				
Equity Bargains†	-	20,880	22,546	25,466	28,629	28,796				
Shares Traded (ml)†	-	442.0	389.2	385.9	563.0	425.5				

Basis 100 Govt. Secs 15/10/26, Fixed Int. 1928, Ordinary 1/7/35, Gold mines 12/9/55, Basis 1000 FT-SE 100 31/12/83 & FT-SE Eurotrack 200 26/10/90 ☆ Nil 16.93.

Ordinary Share Index, Hourly changes — Day's High 1870.7 — Day's Low 1857.1

Open	9 am	10 am	11 am	12 pm	1 pm	2 pm	3 pm	4 pm
1851.7	1861.6	1857.1	1866.5	1870.7	1865.7	1867.5	1870.8	1869.5

FT-SE 100, Hourly changes — Day's High 2547.3 — Day's Low 2521.9

Open	9 am	10 am	11 am	12 pm	1 pm	2 pm	3 pm	4 pm
2522.9	2530.6	2524.5	2535.8	2538.0	2531.6	2534.2	2537.5	2537.3

FT-SE Eurotrack 200, Hourly changes — Day's High 1066.16 — Day's Low 1057.69

Open	11.30 am	12 pm	1 pm	2 pm	3 pm	4 pm
1059.87	1060.79	1060.62	1059.19	1059.27	1061.91	1061.46

GILT EDGED ACTIVITY

Indices*	Oct 7	Oct 6
Gilt Edged Bargains	142.0	137.4
5 – Day average	133.9	138.7

*SE Activity 1974.
†Excluding intra-market business and Overseas turnover.

London report and latest Share Index: Tel. 0891 123001. Calls charged at 36p/minute cheap rate, 48p/minute at all other times.

TRADING VOLUME IN MAJOR STOCKS

	Volume 000's	Closing Price	Day's change		Volume 000's	Closing Price	Day's change		Volume 000's	Closing Price	Day's change		Volume 000's	Closing Price	Day's change
ADT	0	288		Comm. Union	1,000	514	+1	Lonrho	2,500	59	-5	Shell Transport	2,200	522	
ASDA Group	22,000	38¼	+2	Cookson	550	148	-2	Lucas	1,800	90	+2	Siebe	2,100	347	+8
Abbey National	2,000	309	+1	Courtaulds	2,200	450	+11	MB Caradon	319	252	+1	Slough Ests	1,800	101	-1
Albert Fisher	571	57	+1	Dalgety	637	408	-2	MEPC	1,200	273	+1	Smith (W.H.) A	744	422	+8
Allied-Lyons	2,800	395		De La Rue	165	821	-2	Manweb	39	430	+3	Smith & Nephew	3,700	147	+1
Amstrad	1,200	27		Dixons	1,800	200	+4	Marks & Spencer	2,500	321	+3	SmKl Beecham	2,700	503	+8
Anglian Water	314	418	+1	Eastern Elect.	494	387	+1	Midlands Elect.	454	408	+5	SmKl Beecham Uts	3,800	447	+5
Argos	252	238	-2	East Midland Elect.	322	371	+1	NFC	430	350		Smiths Inds.	291	317	+4
Argyll Group	3,200	340	+6	Eng China Clays	2,000	431	-4	NatWest Bank	3,400	348	+11	Southern Elect.	949	389	+3
Arjo Wiggins	4,200	156	-7	Enterprise Oil	1,800	424	+2	National Power	1,300	267	+3	South Wales Elect.	85	457	+1
Ass. Brit. Foods	415	420		Eurotunnel Units	328	390	+2	Next	3,000	108	+2½	South West Water	338	453	+8
[illegible]															
Brit. Aerospace	1,800	137	+2	IMI	1,500	228	-7	Rolls Royce	3,500	129	+2	Utd. Newspapers	439	434	+4
British Airways	1,600	290½	+3½	ICI	900	1080	-½	Rothmans	268	574	-7	Vodafone	1,400	336	
British Gas	4,900	248½	+4	Inchcape	1,000	461	-4	Ryl Bk Scotland	3,700	191	-1	Warburg (SG)	133	517	+7
British Land	397	149	+3	Kingfisher	2,000	501	+7	Royal Insurance	1,000	185		Wellcome	4,100	975	+27
British Steel	3,000	60½	+2	Kwik Save	435	586	+11	Saatchi	232	149	-2	Welsh Water	28	468	+1
Bunzl	304	95	-1	Ladbroke	2,200	161	+1	Sainsbury	2,100	463	[illegible]	Wessex Water	124	520	+8
Burmah Castrol	173	622	+6	Land Securities	1,800	395	+1	Scottish & New	941	425	+10	Whitbread 'A'	1,300	433	+17
Burton	4,600	41½		Laporte	78	583	+1	Scot. Hydro-Elect.	2,300	214	+4	Williams Hldgs.	1,900	254	[illegible]
Cable & Wire.	2,300	600	-3	Legal & General	1,600	333	-7	Scottish Power	4,300	181	[illegible]	Willis Corroon	918	295	+8
Cadbury Schweppes	2,100	429	+7	Lloyds Abbey	594	331	-7	Sears	10,000	88	+2	Wimpey	97	98	-2
Calor Group	142	197	-3	Lloyds Bank	1,400	445	+5	Sedgwick	1,300	131	+6	Wolseley	193	338	+4
Carlton Comm.	600	650	-4	LASMO	5,100	166	+3	Seeboard	758	388	-2	Yorkshire Elect.	12	450	
Coats Viyella	554	200	+3	London Elect.	1,300	388	+5	Severn Trent Water	3,000	397	+8	Yorkshire Water	117	482	+6

Based on the trading volume for a selection of Alpha securities dealt through the SEAQ system yesterday until 4.30pm. Trades of one million or more are rounded down.

EQUITY FUTURES AND OPTIONS TRADING

SPECULATIVE buying in anticipation of a cut in UK base rates gave an early boost to derivates, much of which petered out later in the day, writes Joel Kibazo.

In Footsie futures, the December contract saw demand mostly from independent traders at the session's opening and the first bargain was struck at 2,560. Further demand in anticipation of positive news on UK interest rates drove December higher and by 10.30am it was trading at the day's high of 2,585.

The lack of an announcement on interest rates led to a sharp retreat in the contract and it fell to 2,550, the low point of the day.

The early strength of Wall Street proved a stabilising factor and December slowly clawed its way back to end at 2,580, around 10 points above its estimated fair value premium to cash of about 32. Turnover was reasonable at 9,893 lots.

Volume in the options reached 32,468 lots with the FT-SE 100 option trading 13,760 lots. Amstrad was the busiest stock option with a total of 2,557 lots dealt. The June 30 calls were the busiest series. This was followed by Barclays at 1,886 lots, and then by Asda, in which 1,508 trades were recorded.

FT-ACTUARIES SHARE INDICES

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	EQUITY GROUPS & SUB-SECTIONS (Figures in parentheses show number of stocks per section)	Thursday October 8 1992 Index No.	Day's Change %	Est. Earnings Yield% (Max.)	Gross Div. Yield% (Act at (25%)	Est. P/E Ratio (Net)	xd adj. 1992 to date	Wed Oct 7 Index No.	Tue Oct 6 Index No.	Mon Oct 5 Index No.	Year ago (approx) Index No.
1	CAPITAL GOODS (174)	743.62	+0.3	7.81	5.89	16.61	27.44	741.46	729.26	726.25	822.36
2	Building Materials (23)	680.57	+0.1	7.69	[illegible]	18.40	34.67	679.93	664.17	665.91	998.90
3	Contracting, Construction (26)	600.48	-0.5	3.52	8.39	104.91	32.23	603.55	594.84	601.08	1089.01
4	Electricals (9)	2042.75	+0.4	8.18	7.37	16.15	85.80	2034.86	2007.88	1999.46	2562.44
5	Electronics (27)	2080.91	+0.6	7.84	4.09	16.05	47.93	2067.99	2023.86	2003.62	1736.16
6	Engineering-Aerospace (6)	280.47	+1.3	12.85	8.32	9.87	13.53	276.95	276.12	276.72	358.06
7	Engineering-General (43)	450.14	+0.4	8.90	5.22	14.21	15.00	448.18	441.09	444.29	487.74
8	Metals and Metal Forming (7)	307.65	+1.0	5.65	7.11	25.74	7.52	304.58	304.41	304.16	435.44
9	Motors (14)	289.23	-0.6	9.16	8.16	14.37	14.79	291.01	295.33	290.35	335.11
10	Other Industrials (19)	1723.40	+0.2	7.28	4.84	16.60	59.29	1720.29	1684.25	1668.46	1601.48
21	CONSUMER GROUP (191)	1586.91	+1.0	7.27	3.63	17.06	34.19	1571.74	1553.81	1525.20	1539.17
22	Brewers and Distillers (25)	1908.64	+1.1	8.73	3.86	13.81	41.43	1888.52	1861.98	1812.14	1946.28
25	Food Manufacturing (19)	1201.79	....	8.92	4.40	13.87	28.04	1201.69	1197.62	1190.37	1211.45
26	Food Retailing (18)	2726.78	+1.9	9.15	3.39	14.19	53.95	2677.47	2651.50	2639.13	2469.93
27	Health and Household (26)	4158.91	+1.7	5.30	2.66	21.89	70.35	4080.55	4037.45	3933.14	3688.69
29	Hotels and Leisure (18)	1059.12	+0.1	7.42	6.44	17.73	45.99	1058.07	1037.36	1033.78	1320.15
30	Media (26)	1597.36	+0.4	6.18	3.29	20.19	38.10	1590.32	1563.62	1544.72	1514.72
31	Packaging, Paper & Printing (17)	717.35	-0.5	7.07	4.52	17.60	22.00	721.26	714.76	708.38	761.01
34	Stores (33)	1009.60	+0.6	7.06	3.59	18.86	19.14	1004.02	995.33	968.36	903.25
35	Textiles (9)	670.34	+0.3	7.08	4.58	17.77	16.65	668.50	665.72	663.82	623.65
40	OTHER GROUPS (117)	1267.72	+0.7	9.84	5.34	12.72	40.44	1258.93	1248.84	1231.91	1288.14
41	Business Services (18)	1312.43	-0.6	6.74	3.87	18.18	25.69	1320.19	1285.20	1257.62	1410.05
42	Chemicals (22)	1323.23	+0.4	7.41	5.49	16.75	48.39	1318.50	1318.76	1309.43	1462.20
43	Conglomerates (10)	1259.95	+1.6	9.15	8.73	13.99	40.82	1239.83	1211.77	1199.66	1481.59
44	Transport (14)	2449.33	+1.1	8.21	4.03	14.99	76.54	2421.61	2370.64	2341.11	2349.14
45	Electricity (16)	1402.58	+0.9	14.83	5.23	8.69	55.01	1390.43	1402.98	1379.99	1248.72
46	Telephone Networks (4)	1431.56	+0.6	10.56	4.61	12.35	46.15	1423.16	1409.22	1395.09	1606.21
47	Water (11)	2871.51	+0.9	15.58	6.03	7.11	86.85	2845.02	2894.78	2876.40	2422.36
48	Miscellaneous (22)	2157.07	+0.5	6.12	4.67	20.51	55.33	2146.59	2116.99	2054.35	1848.29
49	INDUSTRIAL GROUP (482)	1273.50	+0.8	8.20	4.58	15.28	35.07	1263.06	1249.76	1231.77	1283.49
51	Oil & Gas (18)	2019.42	+0.5	6.68	6.42	19.62	85.40	2009.44	2006.75	1990.84	2424.46
59	500 SHARE INDEX (500)	1343.09	+0.7	8.04	4.77	15.64	39.07	1333.29	1319.78	1301.67	1361.29
61	FINANCIAL GROUP (85)	747.37	+0.8	–	5.91	–	30.11	741.43	731.32	719.52	798.64
62	Banks (9)	1016.63	+1.2	5.10	5.47	29.45	40.52	1004.29	991.41	975.68	944.09
65	Insurance (Life) (6)	1539.04	-0.3	–	5.91	–	67.14	1543.90	1499.78	1463.47	1469.83
66	Insurance (Composite) (7)	524.93	-0.3	–	5.73	–	18.85	526.42	519.20	502.99	607.01
67	Insurance (Brokers) (10)	698.66	+2.5	10.25	8.04	12.82	42.23	681.32	682.87	680.29	1127.39
68	Merchant Banks (7)	465.27	+1.8	–	4.81	–	13.71	457.02	451.98	454.09	473.24
69	Property (30)	541.38	+0.4	10.42	8.17	12.74	22.76	539.38	534.75	532.56	909.88
70	Other Financial (14)	241.57	+0.7	8.27	6.91	15.88	9.35	239.93	239.00	238.70	259.38
71	Investment Trusts (70)	1142.42	+0.8	–	3.93	–	27.18	1133.30	1122.62	1113.43	1238.49
99	ALL-SHARE INDEX (653)	1199.54	+0.7	–	4.90	–	36.41	1190.67	1178.08	1161.71	1241.04

	Index No.	Day's Change	Day's High (a)	Day's Low (b)	Oct 7	Oct 6	Oct 5	Oct 2	Oct 1	Year ago
FT-SE 100 SHARE INDEX‡	2538.8	+21.7	2547.3	2521.9	2517.1	2488.4	2446.3	2549.7	2572.1	2570.8

FIXED INTEREST

	PRICE INDICES	Thu Oct 8	Day's change %	Wed Oct 7	Accrued Interest	xd adj. 1992 to date
	British Government					
1	Up to 5 years (22)	125.46	+0.17	125.24	2.44	9.31
2	5-15 years (25)	138.95	+0.70	137.98	2.10	10.59
3	Over 15 years (8)	143.83	+1.19	142.13	1.69	9.97
4	Irredeemables (6)	160.74	+1.08	159.02	3.72	8.83
5	All stocks (61)	136.51	+0.59	135.71	2.21	10.25
	Index-Linked					
6	Up to 5 years (2)	176.35	+0.25	175.91	0.53	3.25
7	Over 5 years (10)	158.29	+0.71	157.18	0.93	3.64
8	All stocks (12)	159.58	+0.64	158.56	0.87	3.56
9	Debs & Loans (62)	116.03	+0.70	115.23	1.99	9.58

	AVERAGE GROSS REDEMPTION YIELDS		Thu Oct 8	Wed Oct 7	Year ago (approx.)
	British Government				
1	Low	5 years	7.93	8.00	8.74
2	Coupons	15 years	8.83	8.95	9.51
3	(0%-7¾%)	20 years	9.09	9.21	9.51
4	Medium	5 years	8.52	8.61	9.80
5	Coupons	15 years	9.31	9.45	9.66
6	(8%-10¾%)	20 years	9.45	9.59	9.61
7	High	5 years	8.79	8.87	10.01
8	Coupons	15 years	9.61	9.76	9.74
9	(11%-)	20 years	9.67	9.82	9.66
10	Irredeemables		9.62	9.72	9.70
	Index-Linked				
11	Inflation rate 5%	Up to 5yrs.	3.57	3.64	3.81
12	Inflation rate 5%	Over 5 yrs.	4.11	4.16	4.23
13	Inflation rate 10%	Up to 5 yrs.	2.83	2.89	3.23
14	Inflation rate 10%	Over 5 yrs.	3.94	3.99	4.06
15	Debs &	5 years	10.10	10.17	11.28
16	Loans	15 years	10.68	10.76	11.11
17		25 years	10.73	10.81	10.95

‡Opening index 2522.9; 9 am 2530.6; 10 am 2524.5; 11 am 2535.8; Noon 2538.0; 1 pm 2531.6; 2 pm 2534.2; 2.30 pm 2540.0; 3 pm 2537.5; 4.10 pm 2538.0; (a) 11.11am (b) 10.19am † Flat yield. Highs and lows record, base dates, values and constituent changes are published in Saturday issues. A list of constituents is available from the Publishers, The Financial Times, Number One, Southwark Bridge, London SE1 9HL. The FT-ACTUARIES SHARE INDICES SERVICE covers a range of electronic and paper-based products relating to these indices. These are available by subscription from FINSTAT, 3rd Floor, Number One, Southwark Bridge, London SE1 9HL.

NEW HIGHS AND LOWS FOR 1992

NEW HIGHS (28).
BRITISH FUNDS (5) Treas. 8½pc '94, Treas. 10pc '94, Treas. 12¾pc '95, Treas. 14pc '96, Treas. 2pc IL '96, AMERICANS (5) Allegheny & Westrn., Bankers NY, Dun & Bradstreet, US West, Woolworth, BUSINESS SERVICES (1) Penna, CHEMICALS (1) Halstead, ELECTRICALS (1) Motorola, ELECTRONICS (2) GEC, Racal, FOOD RETAILING (1) Shoprite, INSURANCE BROKERS (1) Alexander & Alex., [illegible]

NEW LOWS [illegible]

LONDON SHARE SERVICE

BRITISH FUNDS

	Notes	Price £	+ or -	1992 high	1992 low	Yield Int.	Yield Red.
"Shorts" (Lives up to Five Years)							
[illegible]							

BRITISH FUNDS - Cont.

	Notes	Price £	+ or -	1992 high	1992 low	Yield Int.	Yield Red.
[illegible]							

BRITISH FUNDS - Cont.

	Notes	Price £	+ or -	1992 high	1992 low	Yield Int.	Yield Red.
[illegible]							

OTHER FIXED INTEREST

	Notes	Price £	+ or -	1992 high	1992 low	Yield Int.	Yield Red.
[illegible]							

AMERICANS

	Notes	Price £	+ or -	1992 high	low	Mkt Cap £m	Yld Gr's
Abbott Labs	b	16 7/16xd	+1/2	19 1/8	14 5/8	13,884	2.1
Allegheny & W		497p	+15	497p	226p	211.5	4.3
Amdahl		474p	-5	1159p	474p	632.3	1.2
Amer Cyanamid		32 1/8	+1 1/4	37	28 5/8	2,921	3.0
Amer Express		12 1/4xd	+3/32	13 7/8	10	5,840	4.8
Amer T & T		24 1/2xd	+3/16	25	20 1/8	32,582	3.1
Ameritech		38 7/8	+1/4	40 1/8	32 1/2	17,020	5.3
BankAmerica		24 xd	—	27 1/8	19	8,592	3.1
Bankers NY		38 xd	+1 1/8	38	28 7/8	3,855	4.3
Bell Atlantic		27 1/4	-1/8	28 1/8	23 1/8	11,784	5.6
BellSouth		38	+1/4	32 7/8	25	14,858	5.4
Bethlehem Steel		[illegible]	-3/16	[illegible]	5 1/4	585.4	—
Bowater		1169pxd	+44	1579p	905p	398.7	6.4
CPC	b	27 1/8xd	+3/16	28 7/8	22 1/8	4,188	2.6
Cadiz Land Inc		128p	—	342p	128p	—	—
California Engy		743p	—	833p	591p	185.3	—
Chase Manhattan		12 xd	+3/16	16 1/2	9 1/8	1,875	5.6
Chrysler		13 1/8xd	+3/32	13	6 1/4	3,837	2.7
Citicorp		8 5/8xd	+3/16	11 1/4	5 3/8	3,136	—
Colgate-Palm		33 xd	+3/16	34 1/4	25 1/4	5,338	2.2
Cont'l Bank		985p	+50	1030p	499p	995.4	3.6
Dana		21 7/8xd	+3/16	[illegible]	14	1,802	4.3
Data General		651p	+13	1084p	384p	179.6	—
Decora Inds		115p	—	122p	65p	—	—
Dun & Brad		[illegible]	+1/8	[illegible]	27 5/8	6,021	3.9
Eaton		44 7/8	-1/8	46 1/2	[illegible]	1,349	2.9
Ecolin		11 1/8xd	+3/16	11 3/4	7 1/8	639.8	3.7
FPL		20 1/4xd	+1/4	21 1/4	17	3,748	6.3
Fluor		25 1/8xd	+3/8	27	19 1/4	2,037	0.9
Ford Motor		21 xd	-3/16	26 3/8	15	10,451	2.7
Gen Elect		43 5/8xd	+3/16	46 3/8	36 3/4	37,259	3.2
General Host		533p	+25 1/2	564p	350p	—	3.9
Gillette		33 1/4xd	+1/4	34	23	7,294	1.3
Hasbro		19	-1/8	19 5/8	12 1/8	1,649	0.6
Honeywell		37 1/4	-3/16	43	32	2,579	2.6
Houston Inds		25 1/8	+1/8	26 1/2	22	3,254	7.0
IBM		46 1/8xd	-1/8	64 1/2	42	28,467	6.1
Ingersoll-Rand		[illegible]	+1/8	19	12	1,737	2.4
Lockheed		27 1/4	+1/4	27 7/8	22	1,702	4.5
Lowe's	h	1081p	+15	1273p	815 1/2p	788.2	1.5
Merrill Lynch		27 1/2xd	-5/8	39	24 1/2	2,844	2.5
Morgan (JP)		36 5/8xd	+1 1/16	[illegible]	28	6,992	3.5
Morris (Philip)		40 1/8xd	+3/16	58 7/8	37	44,497	2.1
NYNEX		48	+1/4	48 1/4	39 5/8	9,818	5.6
Pall		[illegible]	+1/8	17	10	[illegible]	1.3
Pennzoil		31 1/4xd	+1/8	31 1/4	23 1/8	1,268	5.6
Quaker Oats		30xd	+1/8	40	28	2,642	3.1
Rockwell		15 xd	+3/16	16	11 1/2	3,411	3.5
Rep NY		28xd	+1/8	[illegible]	20	1,352	2.2
Sears, Roebuck		24 xd	+3/16	28	19	[illegible]	4.7
Sthwestern Bell		38 7/8	+1/2	40 1/8	31 1/8	11,865	4.4
Sun Co		18 xd	+3/32	18 7/8	12 1/8	1,486	7.8
Tenneco		29xd	-1/4	28	16 1/2	2,584	4.7
Texaco		37 xd	+3/16	37	30	9,821	6.0
Time Warner	h	14 7/8	+1/2	15 1/2	11 1/2	5,241	1.2
Unilab		337p	—	587p	320p	313.8	—
URS Intl. 1c		0 3/4p	—	1 1/4p	0 1/4p	2.71	—
US West		22 3/8	+1/8	[illegible]	18 3/4	9,172	6.5
Varity		1185p	[illegible]	1305p	632p	298.4	—
Waste Manage		21 5/8xd	+1/4	26	16	10,718	1.4
Whirlpool		2119pxd	+15	2789p	1768p	1,479	3.0
Woolworth		18 1/4	+1/8	[illegible]	13 1/4	2,445	3.5

CANADIANS

	Notes	Price £	+ or -	1992 high	low	Mkt Cap £m	Yld Gr's
Abbot Energy		1 1/4p	—	2p	1 1/4p	—	—
Amer Barrick		1742p	—	1894p	1268p	2,484	0.5
Bk Montreal		21	+1/8	23 1/4	19 1/4	2,689	4.8
Bk Nova Scot		1048p	+9	1170p	893p	2,149	4.7
BC Gas		728p	+14	878p	621p	—	3.9
BCE		20 1/2	+1/8	24 1/2	18	6,361	6.0
Brascan		808p	+4	987p	704p	690.4	6.1
Breakwater		16 1/2p	—	38p	8p	10.6	28.8
Can Imp Bk		1814p	+21	1810p	1157p	2,460	4.8
[illegible]		[illegible]					

BANKS

BREWERS & DISTILLERS

BUILDING MATERIALS

BUILDING MATERIALS - Cont.

BUSINESS SERVICES

CHEMICALS

CONGLOMERATES

CONTRACTING & CONSTRUCTION

CONTRACTING & CONSTRUCTION - Cont.

ELECTRICALS

ELECTRICITY

ELECTRONICS

ENGINEERING - AEROSPACE

ENGINEERING - GENERAL

ENGINEERING - GENERAL - Cont.

FOOD MANUFACTURING

FOOD RETAILING

HEALTH & HOUSEHOLD

HOTELS & LEISURE

HOTELS & LEISURE - Cont.

INSURANCE BROKERS

INSURANCE COMPOSITE

INSURANCE LIFE

INVESTMENT TRUSTS

Authorised by the Inland Revenue

INVESTMENT TRUSTS - Cont.

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LONDON SHARE SERVICE

INVESTMENT TRUSTS - Cont.

	Notes	Price	+or -	1992 high	1992 low	Yld Gr's	NAV	Dis or Pm(-)
Scottish Inv.		165	—	178	147	3.6	197.4	14.9
Warrants		26	+1	36	21	—	—	—
Scot Mortgage		155	+1	167	135	3.4	182.3	16.2
Scot National Inc		71	+½	107	65¼	10.6	—	—
Cap		10	—	42	12½	—	—	—
Stepped Pf		143	—	148¼	126	8.7	—	—
Zero Div Pf		188	-1½	188	166½	—	—	—
Warrants		4½	—	8	3	—	—	—
Scot Value		91	—	94	48	1.9	89.3	-2.6
Sec Alliance		1183	+12	1283	1068	4.1	1363.5	13.4
Second Market		247	+1	247	222	8.8	305.6	19.3
Sec Tst Scot		67½	+½	75½	61	8.4	70.3	4.0
Select Assets		88	—	102½	78½	1.3	135.2	34.9
Eq Ind Sept		115xd	—	123	106	4.9	—	—
Eq Ind Sertl		115xd	—	123	105	4.9	—	—
Spires		195	—	245	188	12.8	201.5	3.2
11pc Cv Ln 103/04		£100½	—	£119½	195½	10.6	—	—
Stan Select		77	+2	91	68	8.4	117.8	35.9
Warrants		10	—	21	10	—	—	—
Smaller Cos		67	-1	85	66	5.8	76.1	12.0
Warrants		15	—	29	10	—	—	—
Somerset Tst		115	-1	148	55	—	85.0	-36.5
Sphere Inc		12	—	28	9½	34.4	18.1	28.6
Zero Div Pf		70½	-½	77¼	63¼	—	—	—
Sumit		22	—	33	30	3.2	82.8	65.5
TR City of Lon		110½	+½	127½	97½	8.8	110.4	0.1
TR Euro Growth		75	—	88	70	2.4	93.8	20.1
Pig Sub		35	—	84	33	8.8	—	—
TR Far East Inc		94	+2	96	78	8.2	109.6	14.7
Warrants		14½	—	22	12	—	—	—
TR High Inc		90xd	—	110	91	8.3	90.5	1.0
Sub		23	—	36	21	8.7	—	—
TR Pacific		86	+1	98	70	8.4	98.1	12.8

[illegible]

MEDIA - Cont.

	Notes	Price	+or -
VTR		45	—
WPP		31	—
Warrants		3	—
Wassoughs		451	—
Yorkshire Tyne-T		135	—

MERCHANT BANKS

	Notes	Price	+or -
Ansbacher (H)		38	—
Baring 8pc Cv 2nd Pf		90½	[illegible]
9½pc Non-Cum Pf		118¼	[illegible]
Close Bros		223	—
Hambros		228	[illegible]
7½pc Cv Pf		163½	[illegible]
Joseph (L)		305	—
Kleinwort Benson		280	[illegible]
Rea Bros		28	—
Schroders		1265xd	[illegible]
N/V		1055xd	[illegible]
Singer & Fried		38	—
Warburg (SG)		617	[illegible]
8pc Cv Pf		175	+2½
Wintrust		205	—

METALS & METAL FORMING

[illegible]

MISCELLANEOUS

[illegible]

INVESTMENT COMPANIES

[illegible]

MEDIA

[illegible]

MOTORS

[illegible]

OIL & GAS

[illegible]

OIL & GAS - Cont.

[illegible]

OTHER FINANCIAL

[illegible]

OTHER INDUSTRIALS

[illegible]

PACKAGING, PAPER & PRINTING

[illegible]

PACKAGING, PAPER & PRINTING - Cont.

[illegible]

PROPERTY

[illegible]

STORES

[illegible]

STORES - Cont.

[illegible]

TELEPHONE NETWORKS

[illegible]

TEXTILES

[illegible]

TRANSPORT

[illegible]

WATER

[illegible]

SOUTH AFRICANS

[illegible]

PLANTATIONS

[illegible]

MINES

[illegible]

MINES - Cont.

[illegible]

GUIDE TO LONDON SHARE SERVICE

Company classifications are based on those used for the FT-Actuaries Indices and FT-Actuaries World Indices.

Closing mid-prices are shown in pence unless otherwise stated. Highs and lows are based on intra-day mid- prices.

Where stocks are denominated in currencies other than sterling, this is indicated after the name.

Symbols referring to dividend status appear in the notes column daily as a guide to yields and P/E ratios. Dividends and Dividend covers are published on Monday.

Market capitalisation shown is calculated separately for each line of stock quoted.

Estimated price/earnings ratios are based on latest annual reports and accounts and, where possible, are updated on interim figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation, excluding exceptional profits/losses and unrelieved ACT where applicable. Yields are based on mid-prices, are gross, adjusted to ACT of 25 per cent and allow for value of declared distribution and rights.

Estimated Net Asset Values (NAVs) are shown for Investment Trusts, in pence per share, along with the percentage discounts (Dis) or premiums (Pm -) to the current pre-closing share price. The NAV basis assumes prior charges at par value, convertibles converted and warrants exercised if dilution occurs.

- Indicates the most actively traded stocks. This includes UK stocks where transactions and prices are published continuously through the Stock Exchange Automated Quotation system (SEAQ).
- "Tap Stock"
- * Highs and lows marked thus have been adjusted to allow for rights issues for cash
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- ‡‡ Tax-free to non-residents on application
- Figures or report awaited
- Not officially UK listed; dealings permitted under rule 535(4)(a)
- ♣ Free annual/interim report available, see details below.
- USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities
- ‡‡ Not officially UK listed; dealings permitted under Rule 535(2)
- Price at time of suspension
- ¶ Indicated dividend yield after pending scrip and/or rights issue.
- Merger bid or reorganisation in progress
- § Forecast dividend yield; p/e based on earnings updated by latest interim statement.
- Unregulated collective investment scheme.

a Yield based on annualised dividend. b Figures based on prospectus or other official estimates. c Cents. f Flat yield. g Assumed dividend yield after rights issue. h Assumed dividend yield after scrip issue. j Rights issue pending. q Earnings based on preliminary figures. s Dividend yield excludes a special payment. t Indicated dividend: yield, p/e based on previous year's earnings. v Not subject to ACT. z Dividend yield includes a special payment. E Auction basis. F Yield based on prospectus or other official estimates for 1990-91. G Assumed yield after pending scrip and/or rights issue. H Yield based on prospectus or other official estimates for 1991. K Yield based on prospectus or other official estimates for 1992-93. L Estimated annualised yield, p/e based on latest annual earnings. M Yield based on prospectus or other official estimates for 1991-92. N Yield based on prospectus or other official estimates for 1992. P Figures based on prospectus or other official estimates for 1991. R Forecast annualised yield, p/e based on prospectus or other official estimates. T Figures assumed. W Pro forma figures. Z Dividend yield to date. xd ex dividend. xr ex scrip issue. xa ex all. xc ex capital distribution.

This service is available to companies whose shares are regularly traded in the United Kingdom for a fee of £1200 a year for each security shown, subject to the Editor's discretion.

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FT MANAGED FUNDS SERVICE

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AUTHORISED UNIT TRUSTS

AIB Unit Trust Managers Limited (1000)F
51 Belmont Rd, Uxbridge, Middx UB8 1RZ 0895 259783

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Grs
AIB Grofund America	5	126.0	127.3	134.0	+2.00	0.17
AIB Grofund Equity	5	177.2	179.8	190.2	+2.20	2.08
AIB Grofund Euro	5	130.0	132.3	139.3	+0.60	0.71
AIB Grofund Gilt	3	70.98	71.80	73.20	+0.13	5.45
AIB Grofund Japan	5	114.2	115.5	121.6	+1.50	0.00

AXA Equity & Law Unit Tst Mngrs (1200)H
Equity & Law Hse, Corporation St, Coventry 0203 553231

Abbey Unit Tst Mngrs (1000)H
80 Holdenhurst Rd, Bournemouth 0345 717373

Britannia Life Unit Managers Ltd (1200)F
190 West George St, Glasgow G2 2PA 041-332 3132

Brown Shipley & Co Ltd (1000)F
9-17 Perrymount Rd Haywards Hth 0444 412262

Brycourt Unit Tst Mngt Ltd (1400)F

Guide to pricing of Authorised Unit Trusts
Compiled with the assistance of Lautro §§

INITIAL CHARGE:

OFFER PRICE:

BID PRICE:

CANCELLATION PRICE:

TIME:

HISTORIC PRICING:

FORWARD PRICING:

SCHEME PARTICULARS AND REPORTS:

FT MANAGED FUNDS SERVICE

● Current Unit Trust prices are available from FT Cityline. For further details call (071) 925 2128.

	Init Charge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Sharp (Albert E.) & Co (1000)F						
Admin: 5 Rayleigh Rd Hutton, Brentwood Essex						
Enquiries: 0277 227300 Dealing: 0277 261010						
Intl Bond & Cops	5	112.40	113.20	214.20	-0.60	6.17
Pooled Pension $	3½	127.9	132.3	136.9	-	-
Smaller Cos	5	50.62	52.32	55.07	+0.20	2.96
UK General	5	192.40	194.90	209.50	+0.80	2.84
Sheppards Unit Trust Mngmt Ltd (1200)F						
1 White Hart Yard, London Bridge SE1 071-407 5966						
Income	5	324.17	324.17	343.62	+0.47	6.02
Global Inc	5	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Brit Leaders	5	276.96	276.96	[illegible]	[illegible]	3.47
Intl Leaders	5	147.91	147.40	156.78	+2.10	2.09
[illegible]	3½	45.07	45.68	47.46	+0.05	4.51
[illegible]	3½	45.07	45.68	47.46	+0.05	4.51
Singer & Friedlander UT Mgmt Ltd (1000)F						
PO Box 224, Beckenham, BR3 4TF 081-663 3003						
European Trust	6	43.62	43.71	46.30	+0.25	2.15
Far Eastern Tst	6	-	-	50.00	..	1.00
Smaller Cos	5	105.8	110.5	117.5	+0.4	3.09
Smith & Williamson Unit Tst Mgrs (1600)F						
1 Riding House St, London W1A 3AS 071-637 5377						
S & W American $	5	215.5	215.9	228.4	-2.9	1.05
S & W Capital	5	97.13	97.13	104.2	+0.1	2.00
S & W Cash $	0	100.44	100.44	100.44	+0.02	9.41
S & W Europeans	5	97.36	97.77	103.4	+0.2	1.61
S & W Far Eastern	5	93.79	94.49	99.90	-0.12	0.22
S & W Growth	5	106.9	106.2	112.3	+1.6	1.77
S & W Income	5	90.24	91.59	96.86	+0.51	6.13
S & W Magnum	5	102.5	102.5	110.1	+0.9	1.96
S & W Spclr Secs	5	229.0	234.6	248.2	+0.2	1.24
S & W Thorogood	5	118.5	118.5	127.0	+1.0	1.89
Societe Generale Tyndall Fund Mgmt (1600)F						
Mermaid Hse, 2 Puddle Dock, EC4V 3AT 071-248 1250						
4 Hourly Pricing - 12 Noon Historic						

	Init Charge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Whittingdale Unit Tst Mgmt Ltd (0830)F						
2 Honey Lane, London EC2V 8BT 071-600 0462						
Cautionary	2½	78.95	78.95	80.80	+0.90	0.00
Short Dtd Gilt	1½	101.5	101.5	102.8	+0.1	1.93
U.S. Govmt Bond	1½	0.7051	0.7051	0.7143	[illegible]	0.00
Gilt Income	4	48.56	48.56	50.53	+0.14	[illegible]
Gilt Growth	4	59.41	59.41	61.83	+0.20	0.00
City Reserve	0	54.72	54.72	54.72	+0.01	10.8
Woolwich Unit Trust Managers Ltd (1700)H						
1 White Oak Square, Swanley BR8 7AG 0705 388046						
Stockmarket Fd F	5	56.00	56.22	59.80	+0.44	2.79

OTHER UK UNIT TRUSTS

	Bid Price	Offer Price	+ or -	Yield Gross
Baillie Gifford & Co Ltd				
Intl Exmt Sep 16	530.6	547.5	..	1.27
James Capel Fund Managers Ltd				
Managed Exempt	1011.96	1017.02	+0.758	4.71
Cent. Bd. of Fin. of Church of England				
2 Fore Street, London EC2Y 5AQ 071-588 1815				
Inv Fund Sep 30	517.80	519.90	--	5.69
Fxd Int Sec Sep 30	144.40	145.00	..	10.00
Deposit Fund: See Money Market Trust Funds.				
Charinco/Charishare (1000)F				
33 King William Street, EC4R 9AS 071-280 2800				
Charinco Inc	164.6	166.5	+0.70	9.85
Charinco Acc	949.3	955.3	+5.80	9.85
Charishare Inc	162.2	166.0	+1.30	4.76
Charishare Acc	205.7	210.5	+1.70	4.76

INSURANCES

Continued on next page

FT MANAGED FUNDS SERVICE

• Current Unit Trust prices are available from FT Cityline. For further details call (071) 925 2128.

Prolific Life & Pensions Ltd

Property Life Assurance Ltd

Providence Capital Life Assc. Co. Ltd

Provident Life Assoc Ltd

Provident Mutual Life Assc. Assn.

Prudential Assurance Co

Prudential Corporate Pension Funds

Prudential Individual Life Funds

Prudential Individual Pension Funds

Reliance Mutual

J Rothschild Assurance PLC

Royal Heritage Life Assurance Ltd

Royal Life Insurance Ltd

Royal Liver Assurance

Save & Prosper Group (z)

Scottish Amicable

Scottish Equitable Life Assce. Soc.

Scottish Life Investments

Scottish Mutual Assurance plc

Scottish Provident Institution

Scottish Widows' Group

Shield Assurance Ltd

Skandia Life Assurance Co Ltd

Standard Life Assurance Company

Sun Alliance Group

Sun Alliance Group - Contd.

Sun Life Unit Assurance Ltd

Swiss Life (UK) PLC

Swiss Pioneer Life Plc

TSB Life Ltd

Target Life Assurance Co Ltd

Teachers' Assurance Company Ltd

Templeton Life Assurance Limited

Tunbridge Wells Equitable

Wesleyan Assurance Society

Windsor Life Assur. Co. Ltd

Woolwich Life Assurance Co Ltd

Zurich Life Assurance Co Ltd

OFFSHORE INSURANCES

AXA Equity & Law Intl Life Assur Co

AEtna Intl Assurance (Bermuda) Ltd

Albany International Assurance Ltd

CMI Insurance Co Ltd

Eagle Star Intl Financial Services

Equitable Life (International)

Eurolife Assurance Group

Fleming International Ltd

Hafnia Prolific International

Hansard International Ltd

Isle of Man Assurance Ltd

Britannia International

PanEuroLife societe anonyme

Providence Capital International Ltd

Royal Life Intl. Ltd

Royal Skandia Life Assurance Ltd

Sun Alliance International Life

Target International Group

MANAGEMENT SERVICES

Bain Clarkson Asset Management

C F S Financial Mngmt

Capital Trust Financial Management

Chase de Vere PLC

ECU Investment Plc

Fairmount Financial Services Ltd

Fowler & Braithwaite Ltd

Hurstminster Financial Services(Pty) Ltd

IPS Capital Management PLC

Independent Financial Group PLC

Johnson Fry Asset Managers Plc

Knight Williams & Company Ltd

Macartney & Dowie Invest Mngt Plc

Northam Rees & Partners

Pendleton May Financial Services Ltd

Roxborough Financial Management Ltd

Charles Stanley & Co Ltd

Tattersall Investment Mngt. Ltd

J. D. Ward Financial Services Ltd

OFFSHORE AND OVERSEAS

BERMUDA (SIB RECOGNISED)

Fidelity Money Funds

Lloyd George Management

Orion Fund Limited

CANADA (SIB RECOGNISED)

GBC Asset Management

GUERNSEY (SIB RECOGNISED)

AIB Grofund Inv Managers (Guernsey) Ltd

Adams & Neville Fd Mangt (Guernsey) Ltd

Baring Intl Fd Managers (Guernsey) Ltd

Equitable International Fund Managers Ltd

Guinness Flight Fd Mngrs (Guernsey) Ltd

Hambros Fd Mgrs (CI) Ltd

Kleinwort Benson Intl Fd Mngrs Ltd

Lazard Fund Mngrs (Channel Islands) Ltd

Lion World Fixed Income Fund

Lloyds Intl Money Market Fund Ltd

M & G (Guernsey) Ltd

Prudential Fund Managers (Guernsey) Ltd

Rothschild Asset Management (CI) Ltd

Royal Bank of Canada Offshore Fd Mgrs Ltd

Sarasin Funds Mngmt (Guernsey) Ltd

Schroder Investment Mngmt (Guernsey) Ltd

GUERNSEY (REGULATED)

Adams & Neville Fund Mngmt (Guernsey) Ltd

Arab Bank Fund Managers (Guernsey) Ltd

Buchanan Global Special Asset Fund Ltd

Credit Suisse Asset Mngmt (Guernsey) Ltd

Bantrust Management (Guernsey) Ltd

Hambros Fund Managers (CI) Ltd

Hambros Fund Managers (Guernsey) Ltd

Hewlett Throgmorton Mngmt Ltd

Henderson Admin. (Guernsey)

Kleinwort Benson Intl Fd Mgrs Ltd

Latin America Capital Partners Ltd

Lazard Fund Managers (CI) Ltd

Merrill Lynch Guernsey

Nikko Capital Mngt (Europe) Ltd

Quilter International Management Ltd

Rothschild Asset Mngmt (CI) Ltd

Sandi International (Guernsey) Ltd

Schroder Investment Mngmt (Guernsey) Ltd

U.S. Treasury Securities Fund Ltd

Rudolf Wolff Capital Mangmt (Guernsey) Ltd

Yamaichi Capital Mangmt (Guernsey) Ltd

IRELAND (SIB RECOGNISED)

GAM Fund Management Ltd (z)

Hafnia Prolific International Mngmt Ltd

Morgan Grenfell Investment Funds Ltd

Swiss Life Investment Fund (z)

IRELAND (REGULATED)

Bank of Ireland Unit Managers Ltd

Baring International Fd Mngrs (Ireland) Ltd

Baring Mutual Fund Mngrs (Ireland) Ltd

Federated International Funds Plc

GT Asset Management (Ireland) Ltd

Genesis Portfolio Managers Limited

Hambros Fund Managers (Ireland) Ltd

Irish Life International Fd Mngrs Ltd

Morgan Grenfell Fund Mngrs (Ireland) Ltd

ISLE OF MAN (SIB RECOGNISED)

AXA Equity & Law Intl Fund Mngrs

Allied Dunbar Intl Fund Mngrs (IOM)

Asset Global Funds Ltd (1200)

CMI Fund Managers (IOM) Ltd

Gartmore Fund Managers (IoM) Ltd

Leopold Joseph Fund Mngrs (IOM) Ltd

Mercury Fund Managers IoM Ltd

Sun Life Management (IoM) Ltd

Unibank Scandinavia Fund Mgrs Ltd

ISLE OF MAN (REGULATED)

ATC Fund Management (IoM) Ltd

AXA Equity & Law Intl Fund Mngr

Appleton Financial Advisers Ltd

CMI Fund Mngrs (IOM)

City Financial Admin (IoM) Ltd

Duncan Lawrie Inv. Mgt. Ltd

FT MANAGED FUNDS SERVICE

● Current Unit Trust prices are available from FT Cityline. For further details call (071) 925 2128.

	Bid Price	Offer Price	+ or -	Yield Gross
Intl. Inc.*	15.3	16.51	—	12.0

* Projected Yield

John Govett Management (IoM) Ltd

	Bid Price	Offer Price	+ or -	Yield Gross
Dfr Govett Cur NAV Oct 2		$16.20		—
Paragon Plus Red Oct 1		£9.17		—
Paragon Stlg Red Oct 1		£10.60		—
SE Asian Wrt NAV Oct 1		$9.77		—
Govett Mngd Fgns Oct 2	£13.77	14.06		—
Govett Mngd Fgns Oct 2	$9.91	10.84		—
Dfr Govett Stl Oct 2		$8.01		—

IBI Global Funds Limited

	Bid Price	Offer Price	+ or -	Yield Gross
Intl Stlg Gwth	£18.31	19.20		—
Intl US$ Gwth	$17.84	18.79		—
High Income Gilt	£24.98	25.28		—
International Equity	£18.19	19.14		—
International Bond	£21.35	22.13		—
Managed Currency	£26.32	26.99		—
Sterling Currency	£26.11	26.39		—
US$ Currency	$37.64	38.07		—
Irish £ Currency	I£14.84	15.00		—

Target International (Isle of Man) Ltd

	Bid Price	Offer Price	+ or -	Yield Gross
IAC Offshore Fd	£8.07	8.69		—
B.F. Offshore Inc Fd Lux	£10.71	11.20		—
LFM Sterling Fd	£10.55	11.00		—

JERSEY (SIB RECOGNISED)

AIB Fund Managers (CI) Ltd

0534 36633

INVESCO MIM International Limited

Lloyds Bank Trust Co (CI) Mngrs

Dealing weekly on Thursday

Management International (Jersey) Ltd

Minerals, Oils Res. Shrs. Fd. Inc.

Nat. Westminster Jersey Fd. Mgrs. Ltd

Northgate Unit Tst. Mngr. (Jersey) Ltd

Perpetual UT Mngrs (Jersey) Ltd

Disa Income Fund

Dresdnerbank Asset Mngmt SA

Eagle Star – Global Assets Fund

All funds are denominated in Sterling equivalent

EquiFund–Wright National Eqty Fd

Fidelity Funds (u)

LUXEMBOURG (SIB RECOGNISED)

LUXEMBOURG (REGULATED)

JERSEY (REGULATED)

SWITZERLAND (SIB RECOGNISED)

OTHER OFFSHORE FUNDS

MANAGED FUNDS NOTES

CURRENCIES, MONEY AND CAPITAL MARKETS

FOREIGN EXCHANGES

D-Mark eases against dollar

STERLING, the dollar and the Italian lira all rallied against the D-Mark yesterday as dealers continued to believe that the Bundesbank would cut its *official interest* rates again this month, *writes James Blitz.*

Earlier this week, the Bundesbank added liquidity to the German money market at a fixed rate of 8.9 per cent, 60 basis points below the Lombard rate and 80 basis points below the level at which it was adding funds three weeks ago.

Two Bundesbank Council members have also commented that the M3 indicator of monetary supply indicator should lose some of its status as the *fulcrum of monetary* policy.

These moves give the impression that the Bundesbank has positioned itself to cut official rates to meet grow*ing signs that the country* is moving into recession. "There is a growing perception that this is the big turn in German economic policy," said Mr *Mark Austin, chief economist* at HongKong and Shanghai Banking Corporation in London.

These moves continued to *push the dollar up to a London* close of DM1.4730 yesterday, more than 3 pfennigs higher on the day and nearly 8 pfennigs higher on the week.

Two of the free floating currencies in Europe, the lira and sterling, continued to gain ground. The lira closed at L888.0 against the D-Mark, L22.9 higher on the day, and a staggering L92 higher than its low point on Tuesday.

Sterling also benefitted from the growing perception that a cut in German rates will weaken the D-Mark and give the UK government more room to manoeuvre on interest rate cuts. The pound closed at DM2.4900, up nearly 2 pfennigs on the day. By contrast, Mr Norman Lamont's *speech to* the Conservative Party conference, which was billed as outlining the government's new economic policy, did little to support the currency. The pound actually lost 3 pfennigs as an accompanying policy document was issued, bottoming out at DM2.4650. "The speech and the Treasury document were a disappointment because there was nothing new," *said* Mr Austin. "It was a re-hash of the 1980s policy of throwing all the indicators into a basket and looking at them that way."

However, another analyst suggested that the increased emphasis on monetary indicators could be a precursor to a *rate cut and that he would not* be surprised by a 1 percentage point cut today, the final day of the conference.

Currencies inside the Exchange Rate Mechanism did not rally because there were continuing fears of a realignment to support the weaker members. The French franc closed higher at FFr3.3920 to the D-Mark, while the peseta weakened to close at Pta71.45 against the German currency.

EMS EUROPEAN CURRENCY UNIT RATES

	Ecu Central Rates	Currency Amounts Against Ecu Oct 8	% Change from Central Rate	% Spread v Weakest Currency	Divergence Indicator
Belgian Franc	41.9547	40.4540	-3.58	4.55	48
Dutch Guilder	2.29193	2.21037	-3.56	4.53	[illegible]
D-Mark	2.03412	1.96379	-3.46	4.42	56
French Franc	6.82216	6.66101	-2.36	3.25	-13
Danish Krone	7.79901	7.59918	-2.07	2.94	-24
Irish Punt	0.759300	0.749489	-1.42	2.27	-33
Portuguese Escudo	176.844	174.525	-1.31	2.16	[illegible]
Spanish Peseta	139.176	140.304	0.81	0.00	-93

£ IN NEW YORK

STERLING INDEX

CURRENCY MOVEMENTS

CURRENCY RATES

OTHER CURRENCIES

*Floating rate. Iran Official rate £100.30 $62.70

POUND SPOT - FORWARD AGAINST THE POUND

DOLLAR SPOT - FORWARD AGAINST THE DOLLAR

EURO-CURRENCY INTEREST RATES

EXCHANGE CROSS RATES

	£	$	DM	YEN	F Fr.	S Fr.	H Fl.	Lira	C$	B Fr.	Pta	Ecu
£	1	1.690	2.490	204.5	8.445	2.200	2.800	2211	2.111	51.20	177.9	1.272
$	0.592	1	1.473	121.0	4.997	1.302	1.657	1308	1.249	30.30	105.3	0.753
DM	0.402	0.679	1	82.13	3.392	0.884	1.124	888.0	0.848	20.56	71.45	0.511
YEN	4.890	8.264	12.18	1000.	41.30	10.76	13.69	10812	10.32	250.4	869.9	6.220
F Fr.	1.184	2.001	2.948	242.2	10.	2.605	3.316	2618	2.500	60.63	210.7	1.506
S Fr.	0.455	0.768	1.132	92.95	3.839	1	1.273	1005	0.960	23.27	80.86	0.578
H Fl.	0.357	0.604	0.889	73.04	3.016	0.786	1	789.6	0.754	18.29	63.54	0.454
Lira	0.452	0.764	1.126	92.49	3.820	0.995	1.266	1000.	0.955	23.16	80.46	0.575
C$	0.474	0.801	1.180	96.87	4.000	1.042	1.326	1047	1	24.25	84.27	0.603
B Fr.	1.953	3.301	4.863	399.4	16.49	4.297	5.469	4318	4.123	100.	347.5	2.484
Pta	0.562	0.950	1.400	115.0	4.747	1.237	1.574	1243	1.187	28.78	100.	0.715
Ecu	0.786	1.329	[illegible]	160.8	6.639	1.730	2.201	1738	1.660	40.25	139.9	1.

Yen per 1,000: French Fr. per 10: Lira per 1,000: Belgian Fr. per 100: Peseta per 100.

FINANCIAL FUTURES AND OPTIONS

OPTION ON LONG-TERM FRENCH BOND (MATIF)

Strike	Calls December	Calls March	Calls June	Puts December	Puts March	Puts June
106	3.32	-	-	0.22	-	-
107	2.49	3.32	-	0.40	0.61	-
108	1.76	2.67	-	0.64	1.10	-
109	1.14	2.07	-	1.01	-	-
110	0.69	1.52	-	1.55	1.92	-
Open int.	335,396	81,930	202	218,962	62,283	1,460

Estimated volume 38,817 † Total Open Interest 700,233

† All Yield & Open Interest figures are for the previous day

* Contracts traded on APT. Closing prices shown.

POUND - DOLLAR

FT FOREIGN EXCHANGE RATES

Spot	1-mth.	3-mth.	6-mth.	12-mth.
1.6900	1.6814	1.6669	1.6481	1.6160

BASE LENDING RATES

	%		%		%
Adam & Company	9	Credit Lyonnais	9	McDonnell Douglas Bnk.	9
Allied Trust Bank	9	Cyprus Popular Bk	9	Midland Bank	9
AIB Bank	9	Duncan Lawrie	9	Mount Banking	9
● Henry Ansbacher	9	Equatorial Bank plc	9	NatWestminster	9
B & C Merchant Bank	13	Exeter Bank Limited	9.5	Northern Bank Ltd	9
Bank of Baroda	9	Financial & Gen. Bank	9	Nykredit Mortgage Bank	9.5
Banco Bilbao Vizcaya	9	● Robert Fleming & Co.	9	Provincial Bank PLC	14
Bank of Cyprus	9	Robert Fraser & Ptnrs.	9.5	● Rea Brothers	9
Bank of Ireland	9	Girobank	9	Roxburghe Bank Ltd.	10
Bank of India	9	● Guinness Mahon	9	Royal Bk of Scotland	9
Bank of Scotland	9	Habib Bank AG Zurich	9	● Smith & Williamson Secs.	9
Banque Belge Ltd	9	● Hambros Bank	9	Standard Chartered	9
Barclays Bank	9	Hampshire Trust Plc	13.5	TSB	9
Brit Bk of Mid East	9	Heritable & Gen Inv Bnk.	9	Unibank plc	9
● Brown Shipley	9	● Hill Samuel	9	● United Bk of Kuwait	9
CL Bank Nederland	9	C. Hoare & Co.	9	Unity Trust Bank Plc	9
Citibank NA	9	Hongkong & Shanghai	9	Western Trust	9
City Merchants Bank	9	Julian Hodge Bank	9	Whiteaway Laidlaw	9
Clydesdale Bank	9	● Leopold Joseph & Sons	9	Yorkshire Bank	9
Co-operative Bank	9	Lloyds Bank	9		
Coutts & Co	9	Meghraj Bank Ltd	9		

● Members of British Merchant Banking & Securities Houses Association.

MONEY MARKETS

Watching Germany

RATES in the sterling cash market softened again yesterday as dealers continued to believe that the Bundesbank was positioning itself to cut its official interest rates.

The German central bank's decision in recent days to reduce the rate at which it deals in the German money markets to 8.9 per cent has *fuelled speculation that it* could cut its official Lombard rate by about 50 basis points without causing a reversal in the D-Mark's fortunes.

By contrast, Mr Norman Lamont's speech at the Conservative Party conference left dealers uncertain about the government's immediate policy on UK base rates. The *chancellor said that he had* "not set a target range for the exchange rate." However, he added that he did not propose to set a policy of of setting *interest rates in relation to* domestic criteria "and then letting the exchange rate go where it will."

As one discount house trader said: "The policy vacuum remains. We are no clearer about the UK's policy now than we were two weeks ago."

However, another suggested *that the Bundesbank might* end up "saving Mr Lamont's bacon."

The December short sterling contract opened yesterday at *91.88, a level which assumes* that there will be something close to a full percentage point cut in rates before the end of the year. As Mr Lamont's *statements came out* yesterday, the contract dipped to a low of 91.75, tracking a 2 pfennig fall in the currency.

However, the contract later bounced back with *sterling, to* close at 91.93, 12 basis points up on the day.

Cash rates were a little less volatile. The three-month offered rate for cash – seen as a good guide to the future direction of interest rates – *closed at 8⅞ per cent,* 1/16 per cent down on the day. One month money eased for the second day running, closing at 9 1/16 per cent offered, from 9 3/16 per cent.

Dealers were slow to offer bills to the Bank of England yesterday until Mr Lamont's speech was over. A shortage of £800m *was forecast* and later revised up to £950m.

The Bank purchased £20m in a repurchase agreement at 8 13/16 per cent, £138m of Band 1 bank *bills at 8⅞ per cent, and £170m* of Band 1 bank bills at 8⅞ per cent. There was late assistance of £455m.

UK clearing bank base lending rate 9 per cent from September 22, 1992

FT LONDON INTERBANK FIXING

11.00 a.m. Oct.8	3 months US dollars		6 months US Dollars	
	bid 3 5/8	offer 3 3/4	bid 3 5/8	offer 3 3/4

The fixing rates are the arithmetic means rounded to the nearest one-sixteenth, of the bid and offered rates for $10m quoted to the market by five reference banks at 11.00 a.m. each working day. The banks are National Westminster Bank, Bank of Tokyo, Deutsche Bank, Banque National de Paris and Morgan Guaranty Trust.

MONEY RATES

NEW YORK

Treasury Bills and Bonds

Lunchtime					
Prime rate	6	One month	2.82	Three year	4.28
Broker loan rate	5	Two month	2.87	Five year	5.36
Fed.funds	[illegible]	Three month	2.86	Seven year	5.99
Fed.funds at intervention	-	Six month	2.98	10-year	6.40
		One year	3.09	30-year	7.45
		Two year	3.82		

Oct.8	Overnight	One Month	Two Months	Three Months	Six Months	Lombard Intervention
Frankfurt	8.90-9.05	8.90-9.00	8.90-9.00	8.80-8.95	8.40-8.55	9.50
Paris	[illegible]	[illegible]	-	[illegible]	-	9.60
Zurich	[illegible]	[illegible]	-	[illegible]	-	-
Amsterdam	8.88-8.93	8.85-8.95	-	8.70-8.80	-	-
Tokyo	[illegible]	[illegible]	-	[illegible]	-	-
Milan	[illegible]	[illegible]	-	[illegible]	-	-
Brussels	[illegible]	[illegible]	-	[illegible]	-	-
Dublin	15-25	13-14	12½-13½	[illegible]	[illegible]	-

LONDON MONEY RATES

MONEY MARKET FUNDS

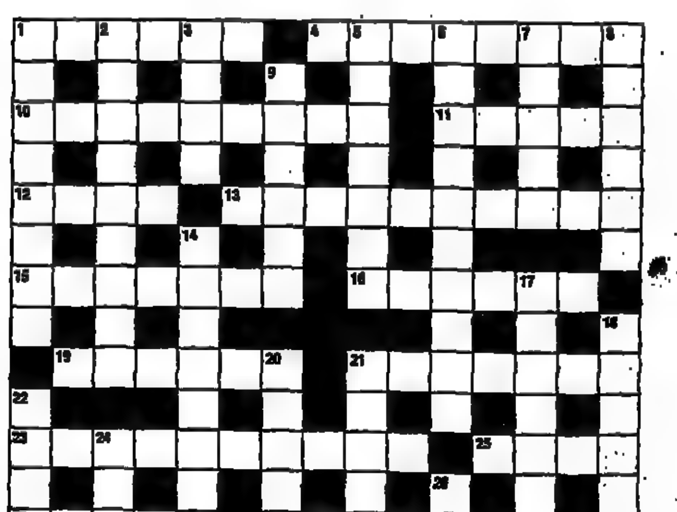
Money Market Trust Funds

Money Market Bank Accounts

NOTES– Gross: Contractual rate of interest payable, not taking account of the deduction of basic rate income tax. Net: Rate of interest payable after allowing for deduction of basic rate income tax. Gross CAR: Gross rate annualised to take account of compounding of interest paid other than once a year. 'Compounded Annual Rate'. Int Crd: Frequency at which interest is credited to the account.

CROSSWORD

No.7,972 Set by VIXEN



ACROSS

1 A qualified person blessing an animal (6)
4 Disturbing birds? (8)
10 Befuddled man – target for a scolding woman (9)
11 The doctor gets by, though he's in low spirits (5)
12 Managed without a single fall (4)
13 Deal fairly with a colleague in a sensible way (10)
15 Go on strike to produce an effect (7)
16 Husband – a little egghead (6)
19 Suffers burns (6)
21 Reading a note about a celebrity, a goddess (7)
23 Tampered disastrously with preservationist organisation, causing division (10)
25 To reduce by a quarter would be shrewd (4)
27 Over-slender (5)
28 Lads led in stupid fashion can make a slip, naturally (9)
29 Legal claim certain to give rise to amusement (8)
30 Concur when ordered to go (6)

DOWN

1 Bed-sit by the Avon that's barely used? (8)
2 A lawyer, having the right, is involved in trade (9)
3 Stone work a sovereign wanted (4)
5 Taking part in a regatta in shallow reaches (7)
6 May be meaner, true, yet make some payment (10)
7 Out of small change, the Spanish appear put out (5)
8 In an oceangoing vessel a server gets lost (6)
9 Taste is shown in quietly unfolding a tale (6)
14 Dull company – don't give so many dirty looks (10)
17 Beast long holding gold cup (9)
18 Housing adult males in principle (8)
20 Like the gentleman receiving junk mail (7)
21 Covering a cardinal point in flying (6)
22 Tots and a minister have a meal together (4,2)
24 Where the speed should be about 50 (5)
26 One's repeatedly given water (4)

Solution to Puzzle No.7,971

WORLD STOCK MARKETS

CANADA

INDICES

TOKYO - Most Active Stocks

Thursday October 8 1992

	Stocks Traded	Closing Prices	Change on day		Stocks Traded	Closing Prices	Change on day
Shinigawa Fuel	5.3m	956	+1	NEC	2.3m	681	-10
Chiyoda Corp	5.2m	1,930	+70	LION	2.2m	611	+39
Green Cross	3.6m	1,580	+10	Mitsui Mining	2.2m	465	-4
Aishin Seiki	3.4m	1,020	-30	Nikken Chem	1.8m	1,030	-10
Kubota	2.9m	591	-6	Hitachi Zosen	1.7m	547	+17

3:15 pm October 8

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

1992 High	1992 Low	Stock	Div.	Yld. %	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
15⅝	11	AAR Corp	0.48	4.3	18	34	11¼	d11	11¼	+¼
26	18	A L Labs A	0.18	0.8	80	226	22½	21⅞	22½	
68¼	52⅞	AMP Inc	1.52	2.5	23	1646	60¼	59⅜	60	+⅜
80¼	54⅝	AMR			20	5044	57¼	56	56⅞	+⅜
2⅜	1⅜	ARX			15	205	1½	d1⅜	1½	+⅛
53½	33⅞	ASA	2.00	5.8	22	100	34⅞	34⅝	34⅝	-½
34¼	26⅜	Abbott Lab	0.60	2.1	20	9592	28⅞	27⅞	28⅝	+1
13⅞	11⅛	Abitibi Pr	0.42	3.8	6	18	11⅛	d11⅛	11⅛	
11⅝	10⅛	ACM Gvt In	0.98	8.5		116	11¼	11⅛	11¼	
10⅞	9⅛	ACM GvOpp	0.79	8.1		20	9⅞	9¾	9¾	
9⅞	8½	ACM Gvt Sp	0.79	8.5		336	9½	9⅜	9½	+⅛
11⅞	10¼	ACM Gvt Se x	0.96	8.6		66	11¼	11⅛	11⅛	-⅛
10⅝	8⅝	ACM Man	1.08	10.3		125	10½	10⅜	10½	
12⅞	9⅞	ACM Managd	0.99	9.8		118	10¼	10⅛	10⅛	
11⅞	4⅛	Acme Cleve	0.40	6.2	12	90	6⅝	6½	6½	
6¼	3¼	Acme Elect			30	42	4	3⅞	4	+¼
30½	14⅜	Acuson			10	723	15¼	14⅞	15¼	+¼
20	18⅛	Adams Expr	0.48	2.5	0	29	19¼	19⅛	19¼	
49⅛	29½	Ad Micro	3.00	8.0		52	37⅞	37⅝	37⅝	-⅛
21½	7½	Ad Micro P	3.00	24.0		49361	12⅞	12⅜	12½	+⅛
9⅞	4⅞	Advest Grp	0.16	2.8	70	62	5⅝	5½	5⅝	+⅛
41⅞	33	Aegon ADR	1.68	4.0	7	6	41¼	41¼	41½	
47	38	Aetna Lf	2.76	6.6	10	1892	42⅛	41¼	41⅞	+⅛
12⅞	8⅝	AHII A	0.24	2.3	12	119	10½	10½	10½	+⅛
34	24	Aflac	0.44	1.5	14	832	30⅛	30⅛	30¼	
19⅞	13¼	Ahmanson	0.88	6.6	6	812	13½	d13¼	13⅜	
22½	4½	Aileen Inc			7	326	4⅝	d4¼	4¼	-⅜
49½	36½	Air Pr Chm	0.86	2.0	18	1433	43⅞	43⅜	43⅜	-⅜
29⅞	12½	Airbne Frt	0.30	1.9	31	1375	16⅜	16⅛	16⅛	-⅛
34¼	22⅝	Airgas Inc			26	37	31⅞	31¼	31⅞	
12⅞	8⅛	Airlease x	1.88	16.4	7	77	10⅝	10¼	10¼	-⅛
104	99½	AlaPw8 16	8.16	8.1		15	101½	101	101	
105	100¼	Alab 8 28C	8.28	8.0		2	103½	103¼	103¼	
11⅞	10½	AlaPwDpPl	0.87	8.1		30	11	10¾	10¾	-⅛

- A -

- B -

- C -

- D -

- E -

- F -

- G -

- H -

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- J -

- K -

- L -

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- N -

- O -

- P - Q -

- R -

- S -

Continued on next page

NYSE COMPOSITE PRICES

Continued from previous page

[illegible]

1992 High	Low	Stock	Div.	Yld. %	P/E	Sls 100s	High	Low	Close	Chng
11⅛	5½	ZenithElec			3	230	5⅞	5¾	5⅞	
19½	14½	Zenith Nat	1.00	6.0	5	418	16⅞	16¾	16⅞	-⅛
7½	6	Zenix Inc x	0.82	11.5		232	7⅛	7	7⅛	+⅛
13¾	10	Zero Corp	0.40	3.6	18	34	11⅛	11¼	11¼	-¼
30	27¾	Zurn Ind x	0.88	2.9	30	118	30½	30	30¼	-⅛
14⅞	12	Zweig Fund	1.12	8.9		306	12⅝	12½	12⅝	+⅛
11	9½	Zweig Totl	0.96	9.5		546	10⅛	10	10⅛	+⅛

Price data supplied by Telekurs.

Yearly highs and lows reflect the period from Jan 1, excluding the latest trading day. Where a split or stock dividend amounting to 25 percent or more has been paid, the year's high-only range and dividend are shown for the new stock only. Unless otherwise noted, rates of dividend are annual disbursements based on the latest declaration. Sales figures are unofficial.

a-dividend also xtra(s). b-annual rate of dividend plus stock dividend. c-liquidating dividend. cld-called. d-new yearly low. e-dividend declared or paid in preceding 12 months. g-dividend in Canadian funds, subject to 15% non-residence tax. i-dividend declared after split-up or stock dividend. j-dividend paid this year, omitted, deferred, or no action taken at latest dividend meeting. k-dividend declared or paid this year, an accumulative issue with dividends in arrears. n-new issue in the past 52 weeks. The high-low range begins with the start of trading. nd-next day delivery. P/E price-earnings ratio. r-dividend declared or paid in preceding 12 months, plus stock dividend. s-stock split. Dividends begin with date of split. sls-sales. t-dividend paid in stock in preceding 12 months, estimated cash value on ex-dividend or ex-distribution date. u-new yearly high. v-trading halted. vi-in bankruptcy or receivership or being reorganised under the Bankruptcy Act, or securities assumed by such companies. wd-distributed. wi-when issued. ww-with warrants. x-ex-dividend or ex-rights. xdis-ex-distribution. xw-without warrants. y-ex-dividend and sales in full. yld-yield. z-sales in full.

AMEX COMPOSITE PRICES

3 pm October 8

[illegible]

Stock	Div.	P/E	Sls 100s	High	Low	Close	Chng
Pet H&P	1.14	13	89	16½	16½	16½	
Phil LD	0.28	15	1076	38⅛	37⅝	37⅞	-1⅛
Pitway A	1.10	16	25	29⅛	29⅛	29⅛	
Ply Gem	0.12	20	87	9⅝	9½	9½	-⅛
PMC x	0.88	14	23	10⅜	10⅝	10⅜	
PresidisA	0.10	1	83	1⅛	d1⅛	1⅛	
Prim Can		0	7	⅛	d⅛	⅛	
RB&W Cp		2	z100	3⅛	3⅛	3⅛	
RiedelEnv		6	z100	7½	7½	7½	

[illegible]

NASDAQ NATIONAL MARKET

3:15 pm October 8

[illegible]

- X - Y - Z -

Stock	Div.	P/E	Sls 100s	High	Low	Last	Chng
Xilinx		18	2954	17	d16	16⅜	-⅛
Xoma Corp		5	327	9⅞	9¼	9⅝	-⅛
Yellow Fr	0.94	20	275	24⅛	23⅞	24⅛	+⅝
York Rsch		7	2001	7	6½	6$\frac{13}{16}$	+⅛
ZionsUtah	1.44	11	z100	59½	58	58½	

FINANCIAL TIMES

Friday October 9 1992

AMERICA

Jobs data undermined by weakness in bonds

Wall Street

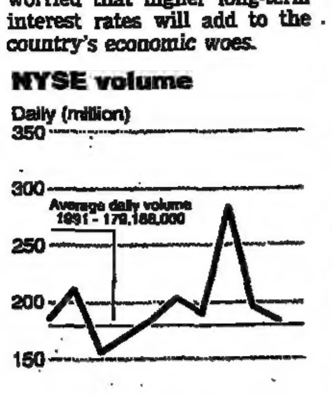
AFTER registering early gains on good employment data, US share prices fell back yesterday morning as the first round of third quarter earnings reports began to be published, *writes Patrick Harverson in New York.*

By 1pm the Dow Jones Industrial Average was up 3.24 at 3,155.49, more than 15 points below its highs for the session. The more broadly based Standard & Poor's 500 was also little changed at the halfway mark, up 0.95 at 405.20, while the Amex composite was down 0.81 at 366.07 and the Nasdaq composite 2.11 higher at 571.31. Turnover on the NYSE was brisk at 112m shares by 1pm, *and rises outpaced declines by* 831 to 716.

The early gains were achieved following unexpectedly good news from the jobs market. Government figures released yesterday showed that weekly state unemployment insurance claims fell by 24,000 in the week which ended on September 26. The decline went against expectations as analysts had been predicting another rise in weekly claims, and some investors seized on the data as an indication that *conditions in the labour market* may be improving.

Prices soon fell back, however, partly undermined by the inability of the bond market to stage a recovery from recent weakness. In the past few days the yield on the 30-year bond has edged back close to 7.5 per cent, and equity investors are worried that higher long-term interest rates will add to the country's economic woes.

NYSE volume



Among individual stocks, Fannie Mae (Federal National Mortgage Association) jumped \$1¼ to \$64½ in heavy trading after the company reported net income of \$412.9m in the third quarter, the 19th consecutive record quarter for the group.

USAir climbed \$⅛ to \$12 in turnover of more than ½m shares after announcing that it had reached a settlement with *striking machinists. The carrier* said that 60 per cent of its service was back to normal yesterday, and that a full service would be resumed by Monday.

Compaq rose \$1⅞ to \$35⅝ in turnover of 1.2m shares after the computer company said that its operating earnings in the third quarter would be better than in the second.

Westinghouse Electric fell \$1⅛ to \$14¾ after it predicted that third quarter earnings would come in below 35 cents a share. The company is also expected to take a charge of between \$60m and \$100m on its investment in the discount drugstore chain, Phar-Mor.

Best Buy rose \$2 to \$25⅛ on news that the retailer's sales in September rose by 105 per cent to \$156m. Another retail group to report strong monthly sales was Wal-Mart Stores, up \$⅛ at \$58.

Canada

TORONTO lost some early gains by midsession with the TSE 300 composite index up 2.7 at 3,218.0. Declines led advances by 183 to 155 in volume of 13.7m shares valued at C\$150m.

Among active issues, Domtar was flat at C\$5⅝, *CAE fell C\$⅛* to C\$5⅛, Bramalea rose 1 cent to 50 cents and Royal Bank of Canada gained C\$⅛ to C\$22⅝.

Alcan rose C\$⅛ to C\$19⅝ *after the broker, SG Warburg,* upgraded its rating on Alcan to a hold from a sell, and also upgraded other aluminum companies.

Politics sets pace for Brazilian equities

Bill Hinchberger charts the effects of 'Collorgate' on the Bovespa and foreign investors

Politics continues to set the pace for Brazilian equities, a week after President Fernando Collor de Mello was removed from office to face impeachment proceedings in the Senate.

The euphoria surrounding the Chamber of Deputies vote to initiate the impeachment process has left a post-Collor *"hangover", says Mr Alvaro* Augusto Vidigal, president of the São Paulo Stock Exchange (Bovespa). Furthermore, the optimism stemming from the ousting of *Mr Collor,* with hopes of a new administration backed by a broad coalition in Congress and top-name ministers, has waned.

The Bovespa index tumbled when Mr Itamar Franco, the vice president who has assumed the presidency, named Mr Gustavo Krause as finance minister, falling by 11 per cent *during the first four* trading days of October. On Wednesday, it closed down 3.3 per cent, at 38,291. Turnover was slow, at just \$53m.

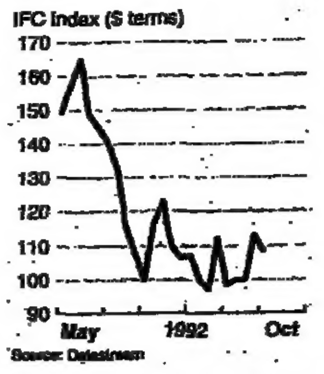
Resistance in the São Paulo business community to Mr Krause and his henchman, Planning Minister Paulo Haddad, appears to be subsiding. Mr Delfim Netto, an influential federal legislator from São Paulo, chided "paulistas" for their regional prejudices against Mr Krause, who comes from the north-eastern state of Pernambuco, and Mr Haddad, from Mr Franco's native Minas Gerais region.

The stock market is now waiting for Mr Franco to elaborate *his strategy to attack stag*flation, and for details of his views on economic reforms such as privatisation and trade liberalisation.

The market has been influenced by politics since May, when Mr Collor's brother publicly accused him of corruption. A subsequent parliamentary inquiry and the impeachment debate helped to break a bullish streak dating back to mid-1991, when foreign institutions were allowed to operate directly in the market. *The upsurge made Brazil seem* one of the best bets among the world's emerging markets.

When the political crisis erupted, the market initially reacted as if the corruption charges would not stick. But around July, as press reports and the parliamentary inquiry began to uncover evidence of direct presidential involvement, the mood changed. Soon the market was rising on signs of a speedy presidential demise, and falling when he seemed to gain strength.

This trend was most acute in late September, prior to the *authorisation of impeachment* proceedings and Mr Collor's suspension. Anticipating approval, the Bovespa index closed up 7.7 per cent on the day of the evening roll call. With the pre-impeachment surge, the Bovespa index rose by 9.8 per cent, after adjusting for inflation, in September.



The political element should recede, say many observers, bringing the economy back to centre stage. "I think that we are leaving behind the political climate and getting back to reality," says Mr Vidigal.

But Mr Roberto Teixeira da Costa, director-president of Brasilpar Financial Services, believes that the market may continue to reflect the mood of the government. However, he adds, "I don't see any big surprises in the Itamar administration."

During "Collorgate", foreign investment maintained a net inflow until August, albeit at a much slower pace. A net \$1.5bn entered Brazilian bourses from January to the end of September. But *two-thirds of this,* \$991m, was registered by April, before the political crisis. This compared with \$571m for the whole of 1991. In August, foreigners siphoned off \$80m more than they sent in.

But in September, they invested a net \$37m, fanning hopes that the foreign investment ebb may be about to reverse. Figures for early October are not yet available, but the local subsidiary of Chase Manhattan says that clients of its omnibus account invested a net \$13m during the first three days of this week, compared with \$19.2m in the whole of August, and \$24.5m in September.

Foreigners continue to express interest in Brazil by registering with the Securities Commission (CVM), as required by law. Through the end of August, the CVM had 501 institutions on its books; preliminary figures show that a further 22 won approval in September.

Trading remains concentrated in a *handful of blue chip* stocks, especially Telebras, the state-controlled telecommunications company which accounts for 40 per cent of the *Bovespa index.* On Wednesday, Telebras accounted for 75 per cent of volume.

Mr Franco's statements about "perfecting" the privatisation programme and references to unnamed "strategic" companies have raised doubts about his intentions towards Telebras. But analysts believe the company's stock is attractive and say that few investors have expressed concern about the company's privatisation fortunes under Mr Franco.

ASIA PACIFIC

Late rise in Nikkei ahead of October options close

Tokyo

INDEX-LINKED buying related to the options market lifted share prices in the late afternoon, and the Nikkei index closed higher in an otherwise uneventful trading session, *writes Emiko Terazono in Tokyo.*

The Nikkei closed up 223.77 at the day's high of 17,335.51, following arbitrage unwinding which depressed prices in the morning and pushed it down to a low of 17,049.75.

Volume fell to 200m shares from 253m. Trading remained thin, yesterday because market participants were reluctant to trade ahead of *Friday's settle*ment for October stock index option contracts.

Advances led declines by 471 to 444 with 168 unchanged, the *Topix index of all first section* stocks rose 5.60 to 1,304.69 and, in London, the ISE/Nikkei 50 index eased 0.02 to 1042.94.

Share prices moved in a tight range before their sharp rise at the end of the session. Activity centred around short-term trading of speculative stocks by dealers and individual investors. The fall in the yen against the dollar also helped some export oriented issues.

Shinagawa Fuel, the most active issue of the day, rose Y1 to Y966. The fuel dealer gained popularity as an environmental theme stock due to reports on its research to change plastics into petroleum.

Hitachi Zosen, the shipping company, rose Y17 *to* Y547 *on* speculation of increased orders of its garbage incinerators. Kubota, the farm equipment maker, which was previously *higher on the environmental* theme, lost Y6 to Y591 on profit-taking.

The yen weakened to the Y120 level against the dollar, helping electronics and car companies. Sony gained Y40 to Y3,930 and Toyota Motor advanced Y20 to Y1,420.

NEC, however, fell Y10 to Y681 on continuing concern over its earnings. Investors are also currently discouraged by the planned sales of low-cost personal computers by Compaq, the US computer maker.

Chiyoda, the plant engineering company, rose Y70 to Y1,930 on a report of its involvement in a major natural gas pipeline project in the Middle East.

Lion, the toiletries maker, rose Y39 to Y611. Investors have started to target companies which have started to *restructure their operations,* including cost-cutting measures in the process.

In Osaka, the OSE average fell 40.61 to 18,908.36 in volume of 12.2m shares. The lack of fresh news prompted small-lot selling.

Roundup

THE region's markets put in mixed performances yesterday.

HONG KONG recovered after falling sharply at the opening, following negative Chinese reaction to Governor Chris Patten's speech on Wednesday. The Hang Seng index closed down 33.50 at 5,555.53, after an intraday low of 5,526.37. Turnover was HK\$1.63bn after Wednesday's HK\$1.48bn.

HSBC Holdings lost HK\$1.00 to HK\$54.50 and Cheung Kong was 20 cents lower at HK\$20.30.

TAIWAN ended 2.7 *per cent* higher following the resignation of the finance minister over a property tax proposal.

The weighted index, which advanced more than 100 points in early trading, closed 96.09 higher at 3,688.21. Turnover rose to T\$21.2bn from T\$13.1bn.

BANGKOK advanced on bank, finance and securities issues and the SET index gained 11.36 or 1.3 per cent to 883.36 in turnover of Bt16.6bn.

SEOUL fell on profit-taking with investors remaining nervous about the political situation. The composite index lost 5.95 to 518.43 as turnover rose to Won239bn from Won173bn.

MANILA was lower with activity concentrated on secondary commercial stocks and some profit-taking in blue chips. The composite index shed 3.98 to 1,403.82 in com*bined turnover of 299m pesos.*

AUSTRALIA rose on bargain-hunting, with BHP one of the day's biggest gainers, up 14 cents to A\$11.64. The All Ordinaries Index closed 10.2 higher at 1,465.6 in turnover of A\$293m.

NEW ZEALAND was dragged lower by an 8 cent fall in Telecom to NZ\$2.23 on rumours that a competitor, Clear Communications, had increased its market share . The NZSE-40 index lost 7.57 to 1,384.64.

SOUTH AFRICA

DE BEERS bucked the generally easier trend with a 3.6 per cent gain. Its shares rose R1.75 *to R49.50 while Anglos shed* R2 to R81. The overall index lost 2 to 3,079, industrials put on 3 to 4,083 and the gold index was 13 down at 861.

EUROPE

Continental bourses extend recovery

BOURSES extended their recovery from Monday's setback, the FT-SE Eurotrack 100 index ending less than 1 per cent below last Friday's level, *writes Our Markets Staff.*

MILAN ended broadly higher in active trading as hopes that the capital gains tax might be abolished for at least a year prompted a wave of buying. The Comit index rose 12.54 or 3.4 per cent to 382.47 in turnover estimated at more than Wednesday's L131bn.

The market was cheered by news in the morning that the Senate finance committee had approved a measure that *would abolish the capital gains* tax until September next year. The measure still needs the approval of the full Senate.

Among blue chips, Fiat jumped 2.5 per cent or L95 to L3,850 while Generali added 3.6 per cent or L950 to L27,350.

Trading in Italcementi and Italmobiliare resumed after Wednesday's suspension. Italcementi rose L790 from Tuesday's close to L7,180 while Italmobiliare added L1,500 to L31,500.

PARIS continued to rise on bargain-hunting but turnover was considerably lower at FFr1.98bn. The CAC-40 index added 19.71 or 1.2 per cent to 1,673.86.

Trading was dominated by Hachette, Printemps and Michelin. Hachette jumped FFr16.80 or 11.8 per cent to FFr158.70 on speculation that rival media group Havas was building a stake.

Michelin dropped FFr6.30 to FFr175.50 on reports that Morgan Stanley had cut its earnings estimates.

Paribas steadied after Wednesday's fall, closing 80 centimes better at FFr279.10 but Ciments Francais B shares dropped FFr45 or 13.2 per cent to FFr295 on worries about the losses at the cement company.

FRANKFURT extended its recovery as the DAX index rose 15.07 to 1,451.12. Dealers gave carmakers some respite after their recent downgrading and, relatively speaking, reserved judgment instead on the big three chemical stocks.

FT-SE Eurotrack 100 - Oct 8

Hourly changes

Open	11.30am	12 pm	1 pm	2 pm	3 pm	4 pm	close
983.87	986.93	986.51	985.15	985.87	986.26	985.85	986.33

Day's High 987.29 Day's Low 983.87

Oct 7	Oct 6	Oct 5	Oct 2	Oct 1
971.05	954.29	937.42	983.56	1006.01

Base value 1000 (26/10/90).

The German chemicals association said yesterday that corporate earnings have dropped more than 30 per cent in the year to date and added that no end to the downturn is in sight. Bayer fell DM1.40 to DM253, although BASF rose DM1 *to* DM208.50 and Hoechst DM2.20 to DM221.40.

Volkswagen led a carmakers' recovery with a rise of DM6.40 to DM259.30. Hoare Govett put VW among its principal buy recommendations this week, saying that recent downgradings had been extreme and that it was holding to earnings forecasts for VW of DM37 in 1992 and DM38 in 1993 against DM36 last year.

AMSTERDAM saw buying in Heineken inspired by a newspaper report, denied by the brewer, that Philip Morris of the US was interested in taking over the group. The shares rose Fl 4.10 or 2.4 per cent to Fl 171.70 as the CBS Tendency index advanced 0.7 to 108.5.

Nijverdal-Ten Cate, the plastics and textile manufacturer, dropped Fl 9.50 to Fl 86.50 after forecasting unchanged 1992 earnings, having said in August that profits would rise by some 10 per cent.

Elsevier closed down Fl 1.90 at Fl 105.70 but off the day's low of Fl 102.0 on reports, later denied, that it had reduced its growth forecasts for academic *publishing.*

ZURICH transferred its attentions to industrials, as banks eased on profit-taking. The SMI index put on 12.1 to 1,870.3, chemicals led the industrial sector higher with Ciba bearers SFr7 firmer at SFr632 and UBS bearers, SFr1 easier at SFr789, topped the active list.

MADRID added another 5.91 points in the general index to 192.71. Mr Victor Galliano of Baring Securities said that buyers were being tempted back into the market by the low share prices following the peseta devaluation and the imposition of currency controls.

STOCKHOLM saw continued weakness in Volvo, partly because of the effects of weaker currencies in some of *its European markets.* The Affärsvärlden index lost 2.4 to 653.1 in light turnover of SKr387m.

Volvo B declined SKr6 to SKr204. SKF B gained SKr2 to SKr72.50 on news that the roller bearing group is selling an 80 per cent stake in a tool manufacturer to Sandvik Coromant.

FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Limited, Goldman, Sachs & Co., and County NatWest/Wood *Mackenzie in conjunction with the Institute of Actuaries and the Faculty of Actuaries*

NATIONAL AND REGIONAL MARKETS	WEDNESDAY OCTOBER 7 1992								TUESDAY OCTOBER 6 1992					DOLLAR INDEX		
Figures in parentheses show number of lines of stock	US Dollar Index	Day's Change %	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg on day	Gross Div. Yield	US Dollar Index	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	1992 High	1992 Low	Year ago (approx)
Australia (68)	122.49	+0.0	105.77	92.91	91.71	113.08	+0.1	4.31	122.45	106.05	92.73	91.04	113.01	153.68	122.45	151.67
Austria (19)	156.25	−0.2	134.92	118.52	116.98	116.76	+0.7	2.50	156.52	135.54	118.58	116.36	116.01	186.70	139.27	172.21
Belgium (42)	142.45	+0.0	123.01	108.05	106.65	104.34	+0.9	5.90	142.39	123.31	107.82	105.86	103.42	152.27	135.87	128.40
Canada (114)	113.80	−0.5	98.26	86.32	85.19	102.84	−0.4	3.44	114.34	99.02	86.58	85.00	103.29	142.12	113.80	133.93
Denmark (33)	*198.69*	*−1.4*	*171.56*	*150.72*	*148.75*	*150.32*	*−1.0*	*1.90*	*201.54*	*174.53*	*152.82*	*149.84*	*151.79*	*273.94*	*196.78*	*247.93*
Finland (15)	57.89	+0.3	49.98	43.91	43.34	55.15	+0.3	2.56	57.74	50.00	43.72	42.92	55.00	89.80	52.84	84.05
France (101)	150.47	+1.5	129.92	114.13	112.64	115.42	+2.3	3.91	148.17	128.32	112.20	110.15	112.78	168.75	148.06	139.98
Germany (64)	109.65	+0.3	94.68	83.18	82.09	82.09	+1.0	2.79	109.33	94.68	82.80	81.28	81.28	129.69	109.33	106.20
Hong Kong (53)	230.91	+0.7	199.38	175.15	172.88	229.16	+0.7	3.86	229.33	198.60	173.66	170.50	227.49	259.55	176.36	168.62
Ireland (16)	139.12	−2.3	120.12	105.53	104.15	106.79	−2.0	5.06	142.35	123.27	107.80	105.83	108.98	173.71	139.12	155.48
Italy (77)	50.04	+3.5	43.21	37.95	37.46	48.58	+2.7	4.29	48.35	41.87	36.61	35.95	47.29	80.86	47.47	70.22
Japan (472)	*107.94*	*−0.3*	*93.21*	*81.88*	*80.82*	*81.88*	*−0.1*	*1.04*	*108.24*	*93.74*	*81.97*	*80.48*	*81.97*	*140.95*	*87.27*	*141.47*
Malaysia (69)	245.06	−0.2	211.61	185.88	183.46	235.72	−0.2	2.77	245.61	212.70	185.99	182.60	236.15	250.65	212.49	191.16
Mexico (18)	1326.10	−0.9	1145.06	1005.90	992.79	4510.80	−0.9	1.33	1337.73	1158.47	1013.03	994.54	4549.42	1789.77	1185.84	1247.36
Netherland (25)	162.81	−0.8	140.59	123.50	121.89	120.64	+0.0	4.70	164.15	142.16	124.31	122.04	120.62	169.70	147.88	138.14
New Zealand (14)	40.09	−0.4	34.62	30.41	30.02	39.18	−0.3	5.78	40.27	34.88	30.50	29.94	39.31	48.52	40.09	46.44
Norway (22)	138.52	+0.2	119.61	105.07	103.70	110.46	+0.7	2.19	138.23	119.71	104.68	102.77	109.66	192.95	136.40	191.48
Singapore (38)	186.33	−0.4	160.89	141.34	139.49	136.66	−0.3	2.40	187.05	161.99	141.65	139.06	137.06	229.63	180.71	185.45
South Africa (60)	*157.16*	*+8.4*	*135.70*	*119.21*	*117.65*	*150.17*	*−0.8*	*3.39*	*144.92*	*125.50*	*109.74*	*107.74*	*151.37*	*263.60*	*144.29*	*249.14*
Spain (48)	112.30	+1.6	96.97	85.18	84.07	87.37	+2.5	6.82	110.53	95.72	83.70	82.17	85.20	161.72	110.05	151.41
Sweden (31)	152.64	+2.0	131.80	115.78	114.27	123.15	+2.6	3.19	149.69	129.63	113.36	111.29	120.05	200.26	149.69	180.95
Switzerland (60)	117.84	+0.7	101.76	89.40	88.24	92.27	+1.9	2.32	117.02	101.34	88.62	87.01	90.54	122.37	95.99	92.82
United Kingdom (228)	171.13	+1.5	147.77	129.80	128.10	147.77	+1.2	4.96	168.60	146.00	127.66	125.33	146.00	200.07	164.88	177.82
USA (522)	165.16	−0.7	142.61	125.28	123.65	165.16	−0.7	3.06	166.28	144.00	125.92	123.63	166.28	173.39	160.92	153.17
Europe (781)	137.56	+1.1	118.78	104.34	102.99	111.11	+1.4	4.23	136.08	117.84	103.05	101.17	109.59	156.88	135.68	138.86
Nordic (101)	143.57	+0.7	123.97	108.90	107.48	109.25	+1.3	2.70	142.53	123.43	107.94	105.97	107.88	188.52	142.53	179.29
Pacific Basin (714)	112.15	−0.2	96.84	85.08	83.97	86.99	−0.1	1.39	112.39	97.33	85.12	83.56	87.04	141.97	93.70	141.72
Euro – Pacific (1495)	122.43	+0.4	105.72	92.86	91.65	96.82	+0.6	2.68	121.96	105.63	92.36	90.68	96.25	145.21	113.80	140.93
North America (636)	161.96	−0.7	139.85	122.87	121.27	160.92	−0.7	3.09	163.05	141.20	123.49	121.24	162.00	170.49	158.70	151.90
Europe Ex. UK (553)	117.26	+0.8	101.25	88.96	87.81	91.04	+1.5	3.70	116.34	100.75	88.12	86.51	89.68	132.98	116.34	115.87
Pacific Ex. Japan (242)	153.44	+0.2	132.49	116.41	114.89	138.41	+0.3	3.82	153.13	132.61	115.98	113.86	138.06	175.31	149.00	144.08
World Ex. US (1687)	123.21	+0.4	106.39	93.47	92.25	98.70	+0.5	2.70	122.66	106.23	92.90	91.20	98.18	146.91	116.18	142.51
World Ex. UK (1981)	133.13	−0.2	114.96	100.99	99.68	116.25	−0.1	2.60	133.38	115.51	101.01	99.17	116.37	150.58	127.21	141.91
World Ex. So. Af. (2149)	136.38	−0.1	117.76	103.46	102.11	118.78	+0.0	2.85	136.49	118.20	103.37	101.48	118.73	153.05	130.04	144.35
World Ex. Japan (1737)	152.79	+0.1	131.93	115.91	114.41	140.56	+0.1	3.52	152.66	132.20	115.62	113.51	140.44	165.40	152.57	148.33
The World Index (2209)	136.42	+0.0	117.80	103.49	102.14	119.09	+0.0	2.85	136.44	118.16	103.33	101.44	119.05	153.70	130.66	145.04

Latest prices were unavailable for this edition.